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Message

I would like to take this opportunity to thank Dr. Tufail Qureshi, the past Editor of the Business Review, who retired in June 2016. He shepherded the Review for around ten years and was responsible for improving its quality and ranking over this period. He sought to inform, engage, inspire and even entertain the diverse readership of the Review. Many readers will miss his unique editorials which blended aspects of poetry, literature and philosophy with the concepts of modern management.

Apologies are due to authors and readers for the delay in publishing issues scheduled for 2016. This happened because we were engaged in the process of finding a successor to Mr. Qureshi. I am pleased to announce that Professor Wali Ullah has been selected as the new Editor and will be taking over this assignment for the first issue of 2017. Professor Wali Ullah is an econometrician by training and research preference and we look forward to a strengthening of the technical and methodological standard of the Business Review under his editorial leadership.

Dr. Mohammed Nishat
Special Editor for 2016 Issues

ARTICLE

Beta Stationarity and Estimation Period: Evidence from Pakistan's Equity Market

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Abstract

This study examines the stability of individual stock beta coefficients over time and its link with the length of estimation periods. Using data for 325 stocks from Pakistan for the period 1999 to 2012, I show that beta coefficients are not stable on average but become more stable as the estimation period increases. This suggests that longer estimation periods should be used for predicting future beta coefficients.

Key Words: Beta, stocks, Karachi Stock Exchange.

JEL Classification: G12, G23.

Introduction

Risk and return are two most important factors which common stock investors include in their investment analysis. Risk is defined as the uncertainty of the return and is categorized in two components: firm-specific risk and the market risk. When the stocks are combined in a portfolio, the risk caused by the firm-specific factors is diversified. For well-diversified portfolios, the firm-specific risk is completely eliminated and the remaining risk is the market risk only. Thus, the market-related portion of a stock's total risk determines the stock's impact on the risk of the portfolio. Investors demand and receive a higher return from investments which involve higher market risk, implying that the expected returns for equity holders are a positive function of the market risk. The market risk is represented by the beta coefficient in the market model developed by Sharpe (1963). While making the investment decision, an investor assesses the future market risk of an investment based on the historical beta figure. The accurate estimation of beta is, therefore, important for investment decision making.

This paper investigates the stability of individual stock's beta coefficient across time and the impact of the length of estimation interval on the stability of estimated beta coefficients in Pakistan's equity market. Consistent with the findings in existing literature, the beta coefficients for Pakistan's stocks do not show stability across time. Moreover, the beta coefficients estimated using long time intervals exhibit less instability than the beta coefficients estimated using short time intervals.

The paper is organized in the following way: section 2 reviews the relevant literature, sample and methodology are presented in section 3, section 4 presents the findings of the study and section 5 concludes the paper.

Literature Review

Stability of beta has been tested empirically in a number of studies. These studies have concluded that the individual security beta is instable and it varies depending on various factors including the estimation period used for beta calculation, time interval between the data points, market conditions, trading volume and liquidity, industry group, size of portfolio examined, extremity of the beta, firm size and differential information.

Many studies have found evidence of beta instability when the estimation period is changed (Levy, 1971; Baesel,1974; Singh, 2008 and Deb & Mishra, 2011). These studies found evidence of beta instability, particularly over shorter time horizon, at both individual security as well as portfolio levels. This instability is reported to decline as the length of beta estimation period increases.

Beta coefficients are also found to be dependent on the intervals between data points over the estimation period. Singh (2008) reported that the variability of beta is higher with longer interval periods.

Studies relating the stability of beta with the extremity of beta have found the extreme betas (both very low and very high) to be marginally more stable than the intermediate beta values (Baesel, 1974 and Deb & Mishra, 2011). Stability of beta has also been examined over different market phases. Celik (2013) found evidence of varying beta under different market conditions (bull and bear). However, Levy (1971) reported the stability of beta to be independent of the market direction.

Studies including Levy (1071), Blume (1971) and Alexander and Chervany (1980) concluded that individual security betas are unstable and the time stability of portfolio beta coefficients is directly related to the number of securities in the portfolio. As the number of securities in the portfolio rises, the magnitude of inter-temporal changes in portfolio beta coefficients decreases. Contrary to this, Gregory-Allen, Impson and Karafiath (1994) concluded that portfolio betas are no more stable than individual securities' betas. Singh (2008) concluded that portfolio formation contributes to the beta stationarity only when monthly returns are used.

De Jong and Collins (1985) related the instability of equity beta to the unexpected changes in the risk-free rates and the level of leverage employed by the firm. The firms with relatively higher level of debt were found to exhibit greater beta instability as compared to the firms with relatively lesser debt levels. Moreover, the equity betas were more instable during the periods of relatively large unexpected changes in the risk-free rates.

The issue of beta instability has been explored thoroughly in the developed markets but considerably less evidence is available from developing markets. This paper contributes to the existing literature by presenting the evidence of beta instability from a developing market and it is the first attempt to explore the issue of beta instability in the context of Pakistan's equity market.

Data and Methodology

The sample of the study consists of the price data on 325 stocks listed on the Karachi Stock Exchange (KSE), for the period of January 1999 to December 2012. The total number of listed companies on KSE in December 2012 was 573. The companies which did not exist throughout the study period and which reported zero returns for a continuous period of 12 months or more are excluded from the sample. KSE-100 index is used as a proxy for the market. The adjusted prices for 325 stocks and the KSE-100 indices are extracted from Bloomberg data base.

Using monthly returns, the following basic Market Model is used to calculate the beta values of individual stocks over different time periods:

$$R_{i,t} = \alpha_i + \beta_i R_{m,t} + \varepsilon_{i,t} \qquad (1)$$

where,

$R_{i,t}$ = Return on stock i for month t

$R_{m,t}$ = Return on the market for month t

α and ß = Parameters to be estimated

The beta coefficients are calculated over various estimation periods (one year, two years, three years, etc, up to fourteen years). Table 1 shows the descriptive statistics of these beta coefficients. The mean beta coefficient reduces as the estimation period is increased. This is in contrast to the statistics reported by Deb and Misra (2011) for the Indian equity. The standard deviation of beta coefficients and the range of beta coefficients are smaller for longer estimation periods.

Table 1
Descriptive Statistics for Beta Values Calculated Using Various Estimation Periods

Beta Calculated Over:	Mean	Standard Deviation	Minimum	Maximum
1 year	0.646	1.832	-40.029	44.646
2 years	0.626	1.166	-27.969	15.143
3 years	0.603	1.018	-20.148	9.167
4 years	0.577	0.938	-18.698	6.011
5 years	0.575	0.857	-17.798	4.297
6 years	0.572	0.803	-15.800	3.955
7 years	0.574	0.749	-13.957	3.143
8 years	0.580	0.700	-12.594	2.558
9 years	0.589	0.631	-11.394	2.456
10 years	0.593	0.579	-7.148	2.462
11 years	0.582	0.592	-6.911	2.454
12 years	0.572	0.618	-6.578	2.172
13 years	0.563	0.659	-6.471	1.791
14 years	0.561	0.637	-6.163	1.777

The following approaches are used to measure the stability of beta coefficients across various time periods:

1. A regression model with 13 dummy variables, is used to measure the change in beta coefficients across single calendar year periods, as listed below:

$$R_{i,t} = \alpha_i + \beta_1 R_{m,t} + \beta_2 D_2 R_{m,t} + \ldots \beta_{14} D_{14} R_{m,t} + \varepsilon_{i,t} \qquad (2)$$

where,

$R_{i,t}$ = Return on stock $i$for month t

$D_2 R_{m,t} = R_{m,t}$, if data is for the second year (2000)

= 0, otherwise

…

$D_{14}R_{m,t} = R_{m,t}$, if data is for the fourteenth year (2012)

= 0, otherwise

α and β= Parameters to be estimated

If one or more of the slope coefficients (β_1 to β_{14}) are significant, the hypothesis of beta stability across time will be rejected.

2. Mean difference test is used to test if the mean beta coefficients calculated using different estimation periods (1-year, 2-years till 7-years) are statistically different. If the t-statistics corresponding to the differences of mean beta coefficients are significant, the hypothesis of beta stability will be rejected.

3. Transition matrices are estimated for two sub-periods of 12-months and 84 months with 14 and 2 observations available respectively. For each sub-period, betas are grouped into percentiles (risk classes) on the basis of magnitude, with the first risk class containing 20% of the stocks with lowest beta values and the fifth risk class containing 20% of the stocks with highest beta values. The stocks are then cross classified by their risk class in period t and the risk class in period t+1 to identify the proportion of stocks switching from one risk class in period t to some other risk class in period t+1. For each transition matrix, chi-square statistic is calculated. If the chi-square statistic is significant, the hypothesis that the distribution is a result of pure randomness will be rejected.

4. Product moment correlations and rank order correlations are calculated among the beta coefficients estimated across different time periods and with different estimation intervals. Significance tests of correlation coefficients are used to assess whether the relationships between the beta coefficients are the result of chance. If these correlations are significant, the hypothesis of no relationship between the beta coefficients estimated across different time periods will be rejected.

Empirical Results

Using the regression model with dummy variables, 248 companies out of 325 companies reported at least one significant slope coefficient. Table 2 presents the total number of companies with positive significant slope coefficients and total number of companies with negative significant slope coefficients. These results show that the beta coefficients are not stable and fluctuate across time.

Table 3 reports the mean differences of the beta coefficients estimated using different estimation periods. Differences of mean beta coefficients are calculated from one year to seven-year estimation period. Most of the mean differences are significant; however, as the estimation period increases the mean differences become less significant suggesting an increase in beta stability for longer estimation periods as compared to shorter estimation periods.

Table 4A represents the transition matrix using 14 sequential twelve month sub-periods (a total of 4225 observations) and table 4B represents the transition matrix using 2 sequential eighty-four month sub-periods (a total of 325 observations). For each sub-period, betas are grouped into percentiles (risk classes) on the basis of magnitude, with the first risk class containing 20% of the stocks with lowest beta values and the fifth risk class containing 20% of the stocks with highest beta values. Each entry in the transition matrix shows the proportion of the stocks falling in risk class r in period t and risk class r in period t+1. For example, the first element (1,1) in table 4A has a value 0.31 which means 31% of stocks which were in the lowest risk class in period t.

Table 2
Results for the Regression Model

Coefficient	Number of Companies with significant coefficient	Number of Companies with positive significant coefficient	Number of Companies with negative significant coefficient
A	43	37	6
β_1	71	65	6
β_2	44	32	12
β_3	31	16	15
β_4	38	23	15
β_5	51	42	9
β_6	42	37	5
β_7	36	20	16
β_8	23	10	13
β_9	39	30	9
β_{10}	52	32	20
β_{11}	65	34	31
β_{12}	35	28	7
β_{13}	23	15	8
β_{14}	61	56	5

Table 3
Mean Differences of Beta Coefficients Estimated Using Different Estimation Periods

Estimation Period	1 year	1999 & 2000	2000 & 2001	2001 & 2002	2002 & 2003	2003 & 2004	2004 & 2005	2005 & 2006
Mean Difference		0.0036	-0.0581	-0.0486	-0.2861*	-0.3837**	0.6173***	0.1490***
Estimation Period	2 years	1999-2000 & 2000-01	2000-01 & 2002-03	2001-02 & 2003-04	2002-03 & 2004-05	2003-04 & 2005-06	2004-05 & 2006-07	2005-06 & 2007-08
Mean Difference		-0.0331	-0.2051*	-0.4578***	-0.0372	0.3627***	0.0985**	-0.0785**
Estimation Period	3 years	1999-2001 & 2002-04	2000-02 & 2003-04	2001-03 & 2004-06	2002-04 & 2005-07	2003-05 & 2006-08	2004-06 & 2007-09	2005-07 & 2008-10
Mean Difference		-0.2921***	-0.3330***	-0.0985	0.1237**	0.1910	0.0749*	-0.0094
Estimation Period	4 years	1999-2002 & 2003-06	2000-03 & 2004-07	2001-04 & 2005-08	2002-05 & 2006-09	2003-06 & 2007-10	2004-07 & 2008-11	2005-08 & 2009-12
Mean Difference		-0.3029***	-0.1583*	0.0184	0.1395***	0.1135**	0.0561	-0.1786***
Estimation Period	5 years	1999-2003 & 2004-08	2000-04 & 2005-09	2001-05 & 2006-10	2002-06 & 2007-11	2003-07 & 2008-12		
Mean Difference		-0.1373*	-0.0206	-0.0140	0.0851**	0.0526		
Estimation Period	6 years	1999-2004 & 2005-10	2000-05 & 2006-11	2001-06 & 2007-12				
Mean Difference		-0.0396	-0.0736	-0.0795				
Estimation Period	7 years	1999-2005 & 2006-12						
Mean Difference		-0.1345*						

Table 3 (continued…)

Estimation Period	2006 & 2007	2007 & 2008	2008 & 2009	2009 & 2010	2010 & 2011	2011 & 2012
Mean Difference	-0.2503***	0.1435***	0.1487*	-0.7159***	0.4618***	-0.4120*
Estimation Period	2006-07 & 2008-09	2007-08 & 2009-10	2008-09 & 2010-11	2009-10 & 2011-12		
Mean Difference	0.0694	-0.0370	-0.3965***	-0.4403***		
Estimation Period	2006-08 & 2009-11	2007-09 & 2010-12				
Mean Difference	-0.0899*	-0.5170***				

***,** and * indicate that the difference is positive and significant at 1%, 5% and 10% level of significance.

Table 4A
Transition Matrix Using 12-month Estimation Interval

	Risk Class in Period t+1					
		1	2	3	4	5
Risk Class in Period t	1	0.31	0.23	0.17	0.13	0.16
	2	0.23	0.24	0.22	0.20	0.11
	3	0.19	0.22	0.21	0.20	0.18
	4	0.13	0.18	0.22	0.27	0.20
	5	0.15	0.13	0.17	0.20	0.34

Chi-square statistic is 299.7 which is significant at 1% level.

Table 4B
Transition Matrix Using 84-month Estimation Interval

	Risk Class in Period t+1					
		1	2	3	4	5
Risk Class in Period t	1	0.39	0.27	0.11	0.14	0.09
	2	0.20	0.38	0.25	0.11	0.06
	3	0.25	0.12	0.22	0.30	0.11
	4	0.06	0.11	0.08	0.29	0.47
	5	0.09	0.12	0.35	0.17	0.27

Chi-square statistic is 105 which is significant at 1% level remained in the lowest risk class in period t+1.From table 4A, we find that using the one-year estimation period 27% of the stocks on average remain in the same risk class; Whereas, 73% of the stocks moved from one risk class to the other exhibiting signs of beta instability. The percentage of stocks remaining in the same risk class is marginally higher for the highest beta values (34%) and lowest beta values (31%). As the estimation period is increased, the percentage of stocks sticking to the same risk class increases (31% on average for seven-year estimation period in table 4B). However, for a longer estimation period only the lowest beta values show more stability. The chi-square statistic is used to test the hypothesis that the proportions of securities moving from one risk class to the other over the sub-periods used are same. In both tables, the chi-square statistic is significant showing that the observed results do not occur by chance.

Table 5 shows the mean product moment correlation coefficients and rank order correlation coefficients among the beta coefficients for different estimation intervals. Tables 6A and 6B show the product moment correlation coefficients and rank order correlation coefficients, respectively; Among them the beta coefficients are estimated across different time periods and with different estimation intervals. Most of the correlation coefficients are positive and significant which shows that the relationships between the beta coefficients across time are not the result of chance. Moreover, the mean correlation increases as the estimation period increases which shows that the historical beta coefficients calculated using longer estimation period are better in predicting the future beta coefficients.

Table 5
Product Moment Correlation Coefficients and Rank Order Correlation Coefficients

Estimation Period Length	Mean Product Moment Correlation Coefficient	Mean Rank Order Correlation Coefficient
1	-0.007	0.220
2	0.196	0.317
3	0.190	0.351
4	0.200	0.383
5	0.206	0.422
6	0.149	0.404
7	0.173	0.414

Table 6A
Product Moment Correlation Coefficients Among Beta Coefficients Estimated Across Different Time Periods and with Different Estimation Intervals

Estimation Period	1 year	1999 & 2000	2000 & 2001	2001 & 2002	2002 & 2003	2003 & 2004	2004 & 2005	2005 & 2006
MD		-0.375	-0.353	0.135***	-0.094	-0.072	0.131***	0.028
Estimation Period	2 years	1999-2000 & 2000-01	2000-01 & 2002-03	2001-02 & 2003-04	2002-03 & 2004-05	2003-04 & 2005-06	2004-05 & 2006-07	2005-06 & 2007-08
MD		0.715***	0.213***	-0.065	0.077*	0.150***	0.0378	0.216***
Estimation Period	3 years	1999-2001 & 2002-04	2000-02 & 2003-04	2001-03 & 2004-06	2002-04 & 2005-07	2003-05 & 2006-08	2004-06 & 2007-09	2005-07 & 2008-10
MD		0.214***	0.028	0.126**	0.209***	0.182***	0.190***	0.248***
Estimation Period	4 years	1999-2002 & 2003-06	2000-03 & 2004-07	2001-04 & 2005-08	2002-05 & 2006-09	2003-06 & 2007-10	2004-07 & 2008-11	2005-08 & 2009-12
MD		0.083*	0.153***	0.208***	0.231***	0.178***	0.236***	0.313***
Estimation Period	5 years	1999-2003 & 2004-08	2000-04 & 2005-09	2001-05 & 2006-10	2002-06 & 2007-11	2003-07 & 2008-12		
MD		0.218***	0.150***	0.147***	0.279***	0.239***		
Estimation Period	6 years	1999-2004 & 2005-10	2000-05 & 2006-11	2001-06 & 2007-12				
MD		0.184***	0.114**	0.149***				
Estimation Period	7 years	1999-2005 & 2006-12						
MD		0.173***						

Table 6A (Continued…)

Estimation Period	1 year	2006 & 2007	2007 & 2008	2008 & 2009	2009 & 2010	2010 & 2011	2011 & 2012
MD		0.031	0.190***	0.203***	0.115**	-0.055	0.019
Estimation Period	2 years	2006-07 & 2008-09	2007-08 & 2009-10	2008-09 & 2010-11	2009-10 & 2011-12		
MD		0.187***	0.243***	0.166***	0.220***		
Estimation Period	3 years	2006-08 & 2009-11	2007-09 & 2010-12				
MD		0.254***	0.256***				

***,** and * indicate that the difference is positive and significant at 1%, 5% and 10% level of significance. MD is the mean difference.

Table 6B
Rank Order Correlation Coefficients Among Beta Coefficients Estimated Across Different Time Periods and with Different Estimation Intervals

Estimation Period	1 year	1999 & 2000	2000 & 2001	2001 & 2002	2002 & 2003	2003 & 2004	2004 & 2005	2005 & 2006
MD		0.320***	0.369***	0.382***	0.306***	0.175***	0.107**	0.158***
Estimation Period	2 years	1999-2000 & 2000-01	2000-01 & 2002-03	2001-02 & 2003-04	2002-03 & 2004-05	2003-04 & 2005-06	2004-05 & 2006-07	2005-06 & 2007-08
MD		0.391***	0.483***	0.338***	0.281***	0.268***	0.198***	0.294***
Estimation Period	3 years	1999-2001 & 2002-04	2000-02 & 2003-04	2001-03 & 2004-06	2002-04 & 2005-07	2003-05 & 2006-08	2004-06 & 2007-09	2005-07 & 2008-10
MD		0.459***	0.438***	0.321***	0.329***	0.362***	0.258***	0.337***
Estimation Period	4 years	1999-2002 & 2003-06	2000-03 & 2004-07	2001-04 & 2005-08	2002-05 & 2006-09	2003-06 & 2007-10	2004-07 & 2008-11	2005-08 & 2009-12
MD		0.401***	0.408***	0.402***	0.364***	0.344***	0.346***	0.418***
Estimation Period	5 years	1999-2003 & 2004-08	2000-04 & 2005-09	2001-05 & 2006-10	2002-06 & 2007-11	2003-07 & 2008-12		
MD		0.461***	0.437***	0.370***	0.391***	0.452***		
Estimation Period	6 years	1999-2004 & 2005-10	2000-05 & 2006-11	2001-06 & 2007-12				
MD		0.411***	0.421***	0.381***				
Estimation Period	7 years	1999-2005 & 2006-12						
MD		0.4143						

Table 6B (Continued…)

Estimation Period	1 year	2006 & 2007	2007 & 2008	2008 & 2009	2009 & 2010	2010 & 2011	2011 & 2012
MD		0.147***	0.266***	0.324***	0.111***	0.096**	0.093**
Estimation Period	2 years	2006-07 & 2008-09	2007-08 & 2009-10	2008-09 & 2010-11	2009-10 & 2011-12		
MD		0.275***	0.375***	0.188***	0.393***		
Estimation Period	3 years	2006-08 & 2009-11	2007-09 & 2010-12				
MD		0.359***	0.298***				

***,** and * indicate that the difference is positive and significant at 1%, 5% and 10% level of significance. MD is the mean difference.

Conclusion

This paper examines the stability of individual stock's beta coefficient across time and the impact of the length of estimation interval on the stability of estimated beta coefficients using the price data of 325 stocks listed on the Karachi Stock Exchange (KSE), for the period from January 1999 to December 2012. Empirical results show that the beta coefficients are not stable and they fluctuate across time. Moreover, the beta instability decreases as the estimation period increases suggesting that the historical beta coefficients calculated using longer estimation period are better in predicting the future beta coefficients.

This study uses the monthly returns for estimation of beta coefficients of individual stocks. The issue of beta stability can be explored using daily or weekly returns. Further, research can also be done to investigate the stability of beta coefficients for portfolios.

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ARTICLE

Exploring the Factors Influencing Faculty Motivation and Satisfaction in Tertiary Education

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Abstract

This study examines the importance of the following five factors in determining motivation and satisfaction levels among faculty involved in higher education: compensation, job role and responsibilities, organizational environment, career growth and recognition. Relevant data were collected from a survey of faculty based at professional universities in Pakistan. Results show that while all five chosen factors are significantly correlated with faculty motivation and satisfaction levels, compensation and recognition are the two most important determinants.

Key Words: Faculty motivation, job satisfaction, compensation, higher education

Introduction

Higher education in Pakistan has undergone many reforms in recent years and various new policies are being implemented at tertiary level education to promote and inculcate research and development culture among university faculty and students. These policies, directly or indirectly, are affecting work dynamics and behavior of faculty members in universities (Khalid, Irshad, & Mahmood, 2012; Mahmood & Shafique, 2010). The positive aspects of these policies are: improved compensation packages, enhanced resources, and better work environment, whereas the negative aspects can be stagnant promotions, sluggish career growth, and work pressures. Some faculty members are taking these policies as a threat to their career growth while others perceive them as an opportunity to rapid career advancement (Aziz, Khan, & Aziz, 2008). One of the most significant factors affected by these policies is the motivation of faculty members. It plays a pivotal role in imparting quality education and in turn enhances learning of the students in professional universities. Therefore, higher education institutions always emphasize at congenial learning environment through vibrant academic culture. The commitment of a faculty member is directly related to job satisfaction, job security, compensation, appreciation, empowerment and respect in society (Castillo & Canoe, 2004; Khalid, Irshad, & Mahmood, 2012).

The current study is intended to investigate the level of motivation and job satisfaction of the faculty members in public and private sector professional universities of Pakistan. Various studies were conducted in past to investigate different aspects related to higher education in Pakistan (e.g. Aziz & Akhtar, 2014; Aziz, Khan & Aziz, 2008; Irshad & Mahmood, 2012; Mahmood & Shafique, 2010) but very few studies are related to identification of factors that influence the motivation and job satisfaction of higher education faculty members (Okafor, 2014). This study identifies significant and contributing factors towards job satisfaction and motivation. The study further tests these factors that are affecting the motivation of university teachers and differentiates the significant factors in public and private sector universities. Primary investigation is done to probe motivation level through factors like: compensation package, job roles and responsibilities, work environment, and career development. The aim of this research is to determine the impact of significant factors – compensation, environment, job role and responsibilities, career growth and recognition on higher education faculty motivation and job satisfaction, also the interplay if there was a pattern or trend with respect to the nature of organization and gender.

Literature Review

Globalization brought many pressures to twenty-first century organizations where managers are not only enhancing the human resource competencies but also working to satisfy, motivate and retain the existing valuable human asset of their organizations (Cooke, Saini & Wang, 2014). One of the biggest challenges in today's workplace is the motivation of employees to enhance productivity and assure sustainability (Blok, Wesselink, Studynka, & Kemp, 2014). Motivation is defined as the process that accounts for an individual's intensity, direction and persistence of efforts towards attaining a goal (Dornyei & Ushioda, 2013; Pinder, 2014). Motivation can be intrinsic or extrinsic. Deci's model of intrinsic and extrinsic motivators (Ryan & Deci, 2012) proposed that individuals are motivated by drives for competence and self determination or autonomy. Over the years, several different theories about motivation have been proposed and tested. Most of these theories can be categorized into two basic types: process theories and content theories (Petri & Govern, 2012). Lunenberg (2011) describes that process theories of motivation are explanations that emphasize how individuals are motivated; whereas content theories are explanations that emphasize internal characteristics. Therefore, organizations are studying motivation at different levels for their survival (Kim, 2012; Smith, 1994), and motivated employees are needed in rapidly changing workplace (Carleton, 2011; Lindner 1998). In fact, the famous Hawthorne Studies began the human relations approach to management, whereby the needs and motivation of employees become the primary focus of managers (Bedeian, 1993; Danish & Usman, 2010).

There are various factors that can be instrumental in motivating the employees of any organization, and the relative degrees in which these factors influence a person also vary from one individual to the other (Kabir & Parvin, 2011). A number of research studies emphasize culture (Aycan 2001), empowerment (Conger & Kanungo, 1987), psychology of work force (Brislin et al. 2005); while others accentuate interesting work, good wages, and job security (Harpaz, 1990). Brislin et al. (2005) argue that managers must understand the culture and psychology of their work force which will have an impact on their motivational strategy (Trumbull & Rothstein-Fisch, 2011). For example, if one is managing a work force that greatly values 'quality of life' such as leisure time, time with family etc., then attempting to increase motivation level of such a group through an increase in pay might prove insignificant (Sekar & Narayanan, 2006).

There are several definitions of motivation in psychology that stresses on different aspects; however, the consensus of majority of these definitions can be summarized as motivation is an internal state or condition that serves to activate or energize behavior of a person and give it direction (Lang, 2010). Hence from this definition we can drive work place motivation as the willingness to exert high levels of effort toward organizational goals, conditioned by the efforts' ability to satisfy some individual need (Pinder, 2014). There are three key elements in this definition: effort, organizational goals and needs. A need means some internal state that makes certain outcomes appear attractive. An unsatisfied need creates tension and that stimulates drives within the individual (Pinder, 2014; Robbins, 2003). These drives generate a search behavior to find particular goals, if attained will satisfy the needs and reduce the tension; and if not attained increases the tension and results in frustration (Kabir & Parvin, 2011).

Most motivation theorists assume that motivation is involved in the performance of all learned responses; that is, a learned behavior will not occur unless it is energized (Dornyei & Ushioda, 2013). The major question among psychologists in general, is whether motivation is a primary or secondary influence on behavior. Which means changes in behavior better can be explained by principles of environmental or ecological influences, perception, memory, cognitive development, emotion, explanatory style, or personality or are concepts unique to motivation more pertinent (Ryan & Deci, 2012).

Motivation is important because it explains why employees in an organization behave as they do and most importantly why they do it. Work motivation can also be characterized as, "the psychological forces within a person that determine the direction of a person's behavior in an organization, a person's level of effort and person level of persistence, in the face of obstacles" (Lammers, 2009, p.128) The characteristic direction of behavior is the behavior a person selects, positive or negative, to achieve organizational objectives: Level of efforts is that how hard a person tries the selected behavior to achieve the desired goal; whereas level of persistence is continuity and consistency of behavior (Pinder, 2014; Ryan & Deci, 2012).

The motivation of a person can be classified into two broad categories i.e. intrinsic motivation and extrinsic motivation (Wise, 2004). Intrinsic motivation is defined as the doing of an activity for its inherent satisfactions rather than for some separable consequences. When intrinsically motivated employee is moved to act for the fun or challenge entailed rather than because of external prods, pressures, or rewards (Gibson et al., 2004; Pinder, 2014). In contrast extrinsic motivation is a construct that pertains whenever an activity is done in order to attain some separable outcome i.e. money, designation, or simply praise. Extrinsic motivation thus differs from intrinsic motivation, which refers to doing an activity simply for the enjoyment of the activity itself, rather than its instrumental value (Thomas & Velthouse, 1990). For example, an employee is completing an assignment because it is known that failing in completing the assignment as per deadline will result either monetary loss or may debar from some future benefits. Even an employee who is working keeping in mind the future promotions is extrinsically motivated because some instrumental value, not necessarily achieved in near future, is attached with this behavior. Hence, intrinsic motivation is to satisfy one's inner self while extrinsic motivation is the behavior performed to acquire material or social rewards or to avoid punishment (Petri & Govern, 2012).

Teachers, especially in higher education, are different as professionals and knowledge workers from other professional and blue collar workers (Bishey, 1996; Bowen, & Radhakrishna, 1991) as they have a strong and long-term commitment to their field and for them challenging task, support to implement their innovative ideas, trainings, participation in workshop and conferences are more important than the other factors (Robbins, 2003). Sylvia & Hutchinson (1985) concluded through a study of teachers' motivation that, "Teacher motivation is based in the freedom to try new ideas, achievement of appropriate responsibility levels, and intrinsic work element (p.855)." They believe in freedom of work and empowermen: Empowerment, which is defined as worker's feeling of competence (Conger & Kanungo, 1988), is a concept that is sometimes used in conjunction with intrinsic motivation. Empowered employees take responsibility for accomplishing their tasks and are less inclined to bureaucratic procedures and managerial direction (Thomas & Velthouse, 1990).

Motivation is a fundamental aspect of leveraging human performance (Pinder, 2014), it is considered the corner stone by the industrial psychologists and human resource managers (Steer, Mondays, Shapiro, 2004). According to Watson (2008) it is the prime problem to motivate the employees on a continuous basis. The understanding of motivation and using it for employees' performance is complex in nature because it is confounded by many other factors, but for practical reasons it can be subdivided into intrinsic extrinsic motivation (Pinder, 2011). However, Kanfer et al. (2008) posited that the role of motivation is to provide direction and intensity to enhance the performance. Employee motivation is a complex phenomenon and it has many antecedents and consequences (Wise, 2004). Many studies examined the role of extrinsic motivation in explaining performance (Ryan & Deci, 2000), job satisfaction (Stringer, Didham & Theivananthampillai, 2011), job satisfaction and commitment (Pepe, 2010), individual knowledge sharing (Hung, Druckikova, Lai, & Lin, 2011), turnover intention (Dysvik & Kuvaas, 2010), task performance (Rogstadius, 2011; Cerasoli & ford, 2014), and organizational citizenship behavior (Finkelstein, 2011). But their interactive impact is yet to be explained in various contexts (Cerasoli, Nicklin, & Ford, 2014). Another explanation of motivation is "[...] an accumulation of different processes which influence and direct our behavior to achieve some specific goals" (Baron, 1983, p.123). Motivation contains, "those psychological processes that cause the arousal direction, and persistence of voluntary action that are goal directed" and "motivation is concerned with action and the internal and external forces that influence one's choice of action. Motivation is not the behavior itself and it is not performance" (Mitchell, 1982, pp. 81-82).

Motivation is directly connected to another important construct i.e. satisfaction. Employee satisfaction is different from motivation. A satisfied employee is not necessarily is a motivated employee and vice versa (Castillo & Canoe, 2004). However, there is a strong relationship between employee motivation and satisfaction (Gillet, Valherand, & Rosenet, 2009; Inder, 2014; Stringer, 2011). One of the major functions of today's managers in the organization is to motivate their employees and achieve greater organizational efficiency (Oosthuizen, 2011). Performance of an employee is directly linked with their motivational factors (Entiwistle,1987). It is argued that organizational commitment and reward are interconnected. A balance between reward and recognition of employee results in better organizational performance (Lawler, 2003). Gibson et al. (2000) considered motivation as a concept when someone experiences the forces that direct the behavior of an individual. It not only directs but energizes but sustained the effort to achieve the set goals (Snell, 1999).

Unwen (2000) views employee motivation as a process that channelizes the energies and harmonizes them to lead towards consistent efforts to achieve the set goals. Even employees can forgo their personal goals to achieve organizational objectives (Gasva, Moyo, Chisango, 2015). "Work motivation is, therefore, a set of energetic forces that originates both within as well as beyond an individual's being, to initiate work related behavior, and determine its forms, direction, intensity, and duration." (Pinder, 2008, p. 11). Gibson et al. (2000) explicated that job satisfaction is "an individual's expression of personal wellbeing associated with doing the job assigned." Green (2000) has identified a positive relationship between rewards and motivation. Spector (1985) posited that job satisfaction is that how do people feel about the nature of their job and related to various aspects of it. This notion is also supported by Ellickson and Logsdon (2002) that the job satisfaction is actually that how much an employee likes the work. The psychological aspect of job satisfaction can be related to the affective and emotional response towards various aspects of one's job. It is further expanded as feeling towards work, attitude towards the job, perception regarding the importance of one's work, need fulfilment and aggregated affective and emotional response towards the feelings of one's work (Reilly, 1991). Job satisfaction depends on one's expectation towards the job (Hussami, 2008). Higher organizational rewards increase job satisfaction (Willem et al., 2007).Job satisfaction is influenced by many other factors like autonomy, communication, and commitment along with pay packages and benefits (Lane, Esser, Holte & Anne, 2010; Vidal, Valle & Argon, 2007; Xie & Johns, 2000).It has been found that different individuals display different motivational profile even within the same situation or activity (Gillet, Vallerand & Rosnet, 2009; Vansteenkieste, Sierens, Soenens, Luyckx & 2009).

Drawing on the earlier works carried out on the factors governing employee motivation and satisfaction, current study has identified five factors' framework to leverage motivation and satisfaction, i.e. compensation package (pay, monetary benefits), environment (safety, security, culture), job responsibilities and roles (work interest, empowerment, freedom to implement new ideas), career growth (promotions and future prospects), and recognition (acknowledgement of efforts and endeavors).

Research Methodology

This research is quantitative in nature, and based on post-positivist paradigm and deductive in nature. The primary data is collected by using a survey, conducted in public and private universities through cross-sectional approach.

Participant Selection

The population of the study comprises professional universities in Pakistan. The inclusion and exclusion criteria of selection of units were based on that the university must have sufficiently large number of faculty members available to be true representative of the population. Lab assistants, lab engineers, and teaching assistants are not included in this survey. Even visiting faculty members associated with the university are not treated as faculty members. Only full time teachers who are on the payroll of the university and are directly involved in teaching in the classroom, administration, and research participated in the survey. The sampling method was based on self selection sampling; only those faculty members were contacted who agreed to provide the data and willing to furnish written feedback on the prescribed form. A prior verbal permission was taken by the concerned authorities or administration of the university to conduct the anonymous survey.

Questionnaire Development

The questionnaire is based on seven constructs: (1) compensation, (2) job role and responsibilities, (3) environment, (4) career growth, (5) recognition, (6) job satisfaction, and (7) motivation. All constructs have 4 items, with total 28 items. Items were both self-developed and adapted from the different studies by the researcher, and before conducting actual study a pilot study was conducted which resulted Cronbach alpha (.723), and all the constructs have the value of alpha above (0.67), therefore the scale is considered reliable. Face and content validity of the scale was evaluated by the faculty members prior to collecting the data and some items were revised in terms of language, clarity of meaning, and duplication. Along with the seven constructs profile questions are also appended in the final questionnaire. The questionnaire was administered through contact persons and enumerators in different universities. In exploratory factor analysis although some items had cross loadings but items were placed on the basis of expert judgment in a given construct.

Data Analysis and Discussion

After collecting the data, it is condensed on the basis of subscales and variables; and analysis is performed to investigate the relationship among these factors. A further analysis is applied by using hierarchical regression analysis to test the relationship of job satisfaction and motivation with other five subscales. The analysis is also performed in partitioned data like, on the basis of gender, professional qualification, experience, and association with the university. Total 1200 forms were distributed among both public and private professional universities. Out of which 907 forms were returned; after careful scrutiny 27 incomplete forms were rejected that leaves total 880 usable forms with a response rate of 73.33%. The sample size of 880 is sufficient to run step-wise multiple regression analysis because the variable to case ratio becomes is approximately 1:125. No influential observations are found in the data.

The profile of the respondents shows that both male and female faculty participated in the survey with almost equal participation of both public and private sector universities. The sample is skewed with lectures and assistant professors, therefore the interpretations of the results would be mostly true for junior and mid career faculty members. The complete profile of the respondents is given below in table 1.

Table 1: Frequency and Percentage of Respondents Profile

		Frequency	Percent
Gender	Male	574	65.22
	Female	306	34.78
University Type	Public	413	46.93
	Private	467	53.07
Designation	Lecturer	467	53.07
	Assistant Professor	293	33.29
	Associate Professor	87	9.89
	Professor	33	3.75
Experience	1 - 5 years	376	42.73
	6 - 10 years	239	27.16
	11 - 15 years	208	23.64
	above 15 years	57	6.47
Marital Status	Married	479	54.43
	Unmarried	401	45.57

The questionnaire was based on seven constructs besides profile questions. Each construct consists of 4 items on a Likert scale, which were coded as strongly disagree = -2, neutral= 0, and strongly agree = 2. The reliability of the scale by using Cronbach alpha was found to be .806 (28 items); and reliability of each construct (four items each) was above 0.71.

The descriptive analysis of the constructs shows that except compensation all the means are positive, i.e. faculty members are more towards disagreement on the given scale. Whereas motivation level is higher than the satisfaction level; however, motivation has higher standard deviation as well, which means motivation of faculty has higher spread. All the correlations are found to be significant at .01 level of significant. The compensation is highly correlated with both faculty motivation and satisfaction; while satisfaction is highly correlated with career growth and recognition and motivation is highly correlated with environment. All the correlations are sufficiently high (see table 2).

Table 2: Descriptive Analysis and Correlation of the Constructs

Construct	Mean	SD	Comp	Job	Env	Career	Recog	Sat	Mot
Compensation	-.0597	1.10054	1						
Job Role	.6875	1.04857	.375**	1					
Environment	.6332	1.09469	.427**	.598**	1				
Career Growth	.3707	1.06573	.532**	.393**	.539**	1			
Recognition	.4432	1.07594	.484**	.557**	.654**	.562**	1		
Satisfaction	.3210	.98913	.849**	.443**	.536**	.740**	.610**	1	
Motivation	.7273	1.04472	.665**	.446**	.620**	.591**	.641**	.813**	1

* Significant at .01

The presence of high correlation of independent variables (compensation, job role, environment, career growth, recognition) with the dependent variables (motivation and satisfaction) may affect the ordinary least square; therefore, step-wise multiple regression analysis is applied.

First, hierarchical regression analysis is applied to test the factors affecting faculty motivation as dependent variable; and compensation, job role, environment, career growth, and recognition as independent variable (see Appendix Table A1). In figure 1A (see appendix) the normal p-p plot of regression standardized residuals is almost normal. The model summary shows that Durbin Watson value as 2.039 which is close to 2, therefore there is no autocorrelation in the observations, which is also evident from the cross-sectional data (see Appendix Table A2). The model summary also suggests that the final model (model 3) has the value of adjusted R-square as .602 *(p=.007)*, hence the dependent variable motivation is well explained by compensation package, environment, and recognition. The ANOVA of the model (see Appendix Table A3) is significant *(p = .000)* for all the three predictors.

The coefficients matrix (see Appendix Table A4) reveals that the variable ‘compensation’ has higher explanatory power to explain motivation of the faculty member with standardized value of .425, and then other two factors environment and recognition with standardized coefficients .269 and .259 respectively. Interestingly, the remaining two factors i.e. job roles and responsibilities and career opportunities are not explaining the motivation although these factors are moderately correlated with motivation. The Tolerance of all factors is less than 1 or VIF values are close to 2, this suggests that multicollinearity exist in the data; therefore, hierarchical regression results are may suffer while using these coefficients as predictor of motivations. For this reason, standardized coefficients are reported for explanation of the variables (Hair et al, 2015). In coefficients table the part and partial correlations are also much lower than the zero order correlations. The excluded variables by stepwise regression analysis i.e. job role and career growth are insignificant with *p-values* .724 and .145 respectively.

Second stepwise regression analysis is applied for satisfaction by taking again compensation, job role, environment, career growth, recognition as independent variables. The method used is step-wise with criteria: probability of F to enter < .050 and probability of F to remove > .100 (see Appendix Table B1). According to figure 1B (see appendix) the normal p-p plot of regression standardized residuals is approximately normal. The model summary shows that Durbin Watson value as 1.85 which can be considered as no autocorrelation in the observations due to cross-sectional data (see Appendix Table B2). The model summary also suggests that the final model (model 3) has the value of adjusted R-square as .840 *(p=.027)*, hence the dependent variable satisfaction is well explained by compensation package, career growth, and recognition. This is in contrast to the results of motivation, where the factor of environment was significant and entered into the model instead of career growth.

The ANOVA of the model (see Appendix Table B3) is significant *(p = .000)* for all the three predictors. The coefficients matrix (see Appendix Table B4) reveals that compensation package has once again higher explanatory power to explain satisfaction of the faculty members with standardized value of .603, and then other two factors career growth and recognition with standardized coefficients .351 and .121 respectively. Similarly to the case of motivation, the remaining two factors i.e. job roles and responsibilities and environment are not explaining the satisfaction although these factors are moderately correlated with satisfaction. The Tolerance of all factors is again less than 1 or VIF values are close to 2, this suggests that multicollinearity exists in the data; therefore hierarchical regression results may suffer while using these coefficients as predictor of satisfaction. For this reason standardized coefficients are reported for explanation of the variables (Hair et al, 2015). In coefficients table the part and partial correlations are also much lower than the zero order correlations. The excluded variables by stepwise regression analysis i.e. job role and environment are insignificant with *p-values* .750 and .754 respectively.

Further analysis reveals that private university faculty members are more motivated than public sector faculty members; and female members are more motivated than satisfied with their jobs as compared to their counterpart males. Four of the five factors compensation package, environment, career growth, and recognition play a significant role in job satisfaction and overall motivation of the faculty members. Those who are more satisfied with their job are more motivated towards work.

The commonality among both the analyses is that compensation package is the most important factor in explaining both the motivation and satisfaction of the faculty members associated with tertiary education and then the recognition. However, to enhance the motivation – environment plays a vital role whereas, career growth is essential for satisfaction of the faculty irrespective of public and private university and gender. The findings of this study are in sync with the existing literature (Ryan & Deci, 2000, 2012). The factors explaining the motivation in this study are also ascertained by Harpaz (1990) that faculty members are motivated by the good work and pay and security; and Wise (2004) that extrinsic motivation factors are more important to explain the motivation of the faculty – which are in our case the compensation package, environment, and recognition (Petri & Govern, 2012). However, the results or not supporting the studies of Sylvia & Hutchinson that motivation is more explained by roles and responsibility and intrinsic work elements, and are not aligned with Oosthuizen (2011) and Thomas and Velthouse (1990).

The results of job satisfaction are quite similar to the studies conducted earlier e.g. Lawler (2003) that satisfaction, organizational commitment is linked with reward and recognition, Green (2000) has also ascertained the positive relationship between reward, motivation and satisfaction; and higher organizational rewards enhances the satisfaction of the employees (Willem et al., 2007). Many other studies (e.g. Lane et al., 2010; Vidal, Valle & Argon, 2007; and Xi & Johns, 2000) have also reported the results similar to this study that pay package and employee benefits are more important factors in explaining the motivation and satisfaction of the employees.

Conclusion

The study has investigated the factors affecting employee motivation and satisfaction of the faculty members associated with higher education institutions. Through the literature five factors were selected on the basis of relevance and importance i.e. compensation, recognition, environment, job role and responsibilities, and career growth. Different factors are identified as to motivate and satisfy the faculty members with two common factors that are compensation and recognition. In many public and private sector universities, although compensation packages are fixed on the basis of designation that are related to grade or scale in which a faculty member is placed, but still other fringe benefits may be introduced to make these packages more attractive for the faculty members. Another factor which is often neglected and can be easily catered by the top management of the university is the recognition. If the efforts and endeavors of a faculty member are duly acknowledged then both motivation and satisfaction of that faculty member can be leveraged to boost the productivity, engagement, and commitment.

It is recommended that there should be programs and policies for the university faculty to recognize their work at different levels by providing them more congenial environment according to their job role and responsibilities. The environment plays an important role towards motivation, hence more resources should be mobilized to cater the needs of the faculty a proper career plan should be given so that a faculty must not be disillusioned in the midst of their career, and a progressive career path must be given to the new incumbents to work with satisfaction and long term commitment.

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Appendix

Table A1
Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Compensation	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
2	Environment	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
3	Recognition	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

a. Dependent Variable: Motivation

Table A2
Model Summary[d]

Model	R^2	Adj-R^2	SE of the Estimate	Change Statistics					DW Stat.
				R^2 Change	F Change	df1	df2	Sig. F Change	
1	.443[a]	.436	.78430	.443	68.364	1	879	.000	
2	.581[b]	.571	.68432	.138	27.968	1	876	.000	
3	.616[c]	.602	.65910	.035	7.627	1	875	.000	2.039

a. Predictors: (Constant), Compensation
b. Predictors: (Constant), Compensation, Environment
c. Predictors: (Constant), Compensation, Environment, Recognition
d. Dependent Variable: Motivation

Table A3
ANOVA[a]

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	42.053	1	42.053	68.364	.000[b]
	Residual	539.970	878	.615		
	Total	582.023	879			
2	Regression	55.150	2	27.575	45.882	.000[c]
	Residual	526.873	877	.601		
	Total	582.023	879			
3	Regression	58.463	3	19.488	32.588	.000[d]
	Residual	523.560	876	.598		
	Total	582.023	879			

a. Dependent Variable: Motivation

b. Predictors: (Constant), Compensation

c. Predictors: (Constant), Compensation, Environment

Table A4
Coefficients[a]

Model		Unstandardized	Standardized	t-Stat	Sig.	Collinearity Statistics	
		Beta	Beta			Tolerance	VIF
1	(Constant)	.765 (.084)		9.136	.000		
	Compensation	.632 (.076)	.665	8.268	.000	1.000	1.000
2	(Constant)	.507 (.088)		5.769	.000		
	Compensation	.465 (.074)	.490	6.311	.000	.818	1.223
	Environment	.392 (.074)	.411	5.288	.000	.818	1.223
3	(Constant)	.477 (.085)		5.597	.000		
	Compensation	.404 (.074)	.425	5.428	.000	.745	1.343
	Environment	.257 (.087)	.269	2.968	.004	.556	1.797
	Recognition	.251 (.091)	.259	2.762	.007	.521	1.919

a. Dependent Variable: Motivation

b. SE are in parenthesis

Table A5
Excluded Variables[a]

Model		Beta In	t	Sig.	Partial Corr.	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	Job Role	.229[b]	2.732	.008	.284	.860	1.163	.860
	Environment	.411[b]	5.288	.000	.498	.818	1.223	.818
	Career Growth	.330[b]	3.724	.000	.375	.717	1.395	.717
	Recognition	.416[b]	5.151	.000	.488	.766	1.305	.766
2	Job Role	.027[c]	.301	.764	.033	.625	1.599	.595
	Career Growth	.182[c]	2.039	.045	.217	.598	1.672	.598
	Recognition	.259[c]	2.762	.007	.289	.521	1.919	.521
3	Job Role	-.031[d]	-.354	.724	-.039	.590	1.696	.486
	Career Growth	.132[d]	1.470	.145	.159	.564	1.774	.491

a. Dependent Variable: Motivation
b. Predictors in the Model: (Constant), Compensation
c. Predictors in the Model: (Constant), Compensation, Environment
d. Predictors in the Model: (Constant), Compensation, Environment, Recognition

Figure A1

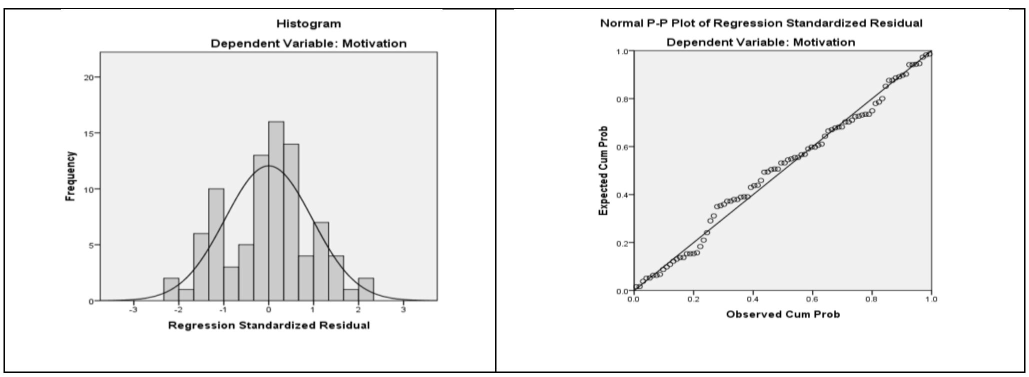


Table B1
Variables Entered/Removed[a]

Model	Variables Entered	Variables Removed	Method
1	Compensation	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
2	Career Growth	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).
3	Recognition	.	Stepwise (Criteria: Probability-of-F-to-enter <= .050, Probability-of-F-to-remove >= .100).

a. Dependent Variable: Satisfaction

Table B2
Model Summary[d]

Model	R^2	Adj- R^2	SE of the Estimate	Change Statistics					DW Stat.
				R^2 Change	F Change	df1	df2	Sig. F Change	
1	.720[a]	.717	.52623	.720	221.375	1	878	.000	
2	.836[b]	.832	.40517	.116	60.073	1	876	.000	
3	.845[c]	.840	.39575	.009	5.094	1	875	.027	1.855

a. Predictors: (Constant), Compensation
b. Predictors: (Constant), Compensation, Career Growth
c. Predictors: (Constant), Compensation, Career Growth, Recognition
d. Dependent Variable: Satisfaction

Table B3
ANOVA[a]

Model		Sum of Squares	Df	Mean Square	F	Sig.
1	Regression	61.303	1	61.303	221.375	.000[b]
	Residual	243.206	878	.277		
	Total	304.509	879			
2	Regression	71.165	2	35.583	133.771	.000[c]
	Residual	233.344	877	.266		
	Total	304.509	879			
3	Regression	71.963	3	23.988	90.521	.000[d]
	Residual	232.546	876	0.265		
	Total	304.509	879			

a. Dependent Variable: Satisfaction

b. Predictors: (Constant), Compensation Package

c. Predictors: (Constant), Compensation Package, Career Growth

d. Predictors: (Constant), Compensation Package , Career Growth, Recognition

Table B4
Coefficients[a]

Model		Unstandardized		Standardized	t	Sig.	Collinearity Statistics	
		B	SE	Beta			Tol	VIF
1	(Constant)	.367	.056		6.524	.000		
	Compensation	.763	.051	.849	14.879	.000	1.000	1.000
2	(Constant)	.217	.047		4.575	.000		
	Compensation	.570	.047	.635	12.236	.000	.717	1.395
	Career Growth	.373	.048	.402	7.751	.000	.717	1.395
3	(Constant)	.183	.049		3.774	.000		
	Compensation	.542	.047	.603	11.488	.000	.667	1.499
	Career Growth	.325	.052	.351	6.310	.000	.596	1.678
	Recognition	.112	.049	.121	2.257	.027	.637	1.570

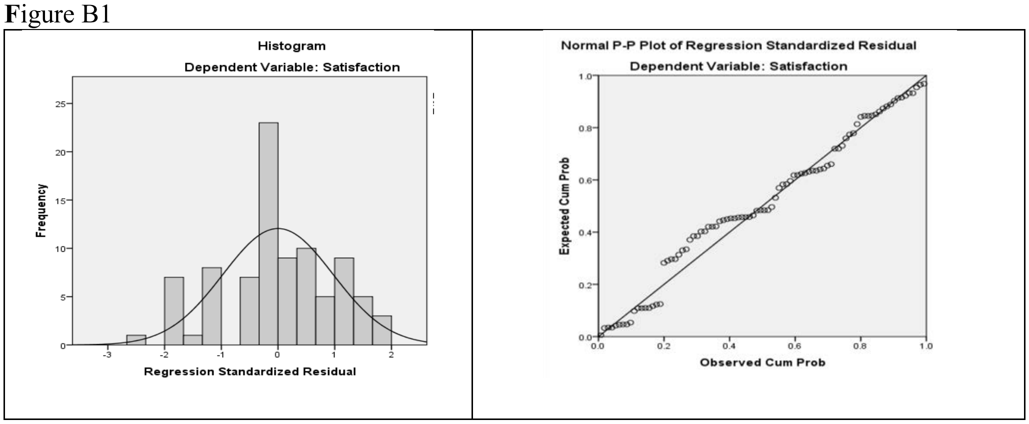
a. Dependent Variable: Satisfaction

Table B5
Excluded Variables[a]

Model		Beta In	T	Sig.	Partial Corr.	Collinearity Statistics		
						Tolerance	VIF	Minimum Tolerance
1	Job Role	.145[b]	2.427	.017	.255	.860	1.163	.860
	Environment	.212[b]	3.584	.001	.362	.818	1.223	.818
	Career Growth	.402[b]	7.751	.000	.643	.717	1.395	.717
	Recognition	.260[b]	4.404	.000	.431	.766	1.305	.766
2	Job Role	.058[c]	1.192	.237	.129	.807	1.239	.673
	Environment	.070[c]	1.331	.187	.144	.682	1.466	.598
	Recognition	.121[c]	2.257	.027	.239	.637	1.570	.596
3	Job Role	.017[d]	.320	.750	.035	.672	1.489	.530
	Environment	.019[d]	.314	.754	.034	.526	1.900	.491

a. Dependent Variable: Satisfaction
b. Predictors in the Model: (Constant), Compensation
c. Predictors in the Model: (Constant), Compensation, Career Growth
d. Predictors in the Model: (Constant), Compensation Package, Career Growth, Recognition

Figure B1



ARTICLE

Global Distributive Justice

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Abstract

This article analyzes frameworks of global distributive justice embedded in models of global governance associated with Habermas and Rawls. Habermas is chiefly concerned with distributive justice at the level of the European Union while Rawls seeks justice at the global level through redistribution to "burdened" societies. Neither model adequately addresses the problem of global distributive justice.

Key Words: *distributive justice, law of peoples, global state, Rawls, Habermas*

Introduction

Joseph Stiglitz (Stiglitz 2002: 21-22) observed:

"Unfortunately, we have no world government, accountable to the people of every country, to oversee the globalization process in a fashion comparable to the way national governments guided the nationalization process. Instead, we have a system that might be called global *governance without global government*, one in which a few institutions —the World Bank, the IMF, the WTO —and a few players —the finance, commerce and trade ministers, closely linked to certain financial and commercial interests —dominate the scene, but in which many of those affected by their decisions are left almost voiceless".

The issue of worldwide heavy and persistent inequalities among societies demands distributive justice at global level. Distributive justice is theorized at national and global levels. Distributive justice at national level deals with the distribution of benefits and burdens to each according to his due or fair allocation of burdens and benefits in society. There are various principles that determine 'due' (Gupta 2013: ix) whereas global distributive justice is concerned with distribution of benefits and burdens among societies. For example, Rawls holds that "the distribution of income and wealth within a society is just when laws and economic institutions are designed so as to maximally benefit the least advantaged members of that same society. This standard for domestic distributive justice is to apply worldwide, to determine just distributions in every society in the world" (Freeman 2006: 243). Conversely, the established powers as well as the rising powers have responsibility not only "for combating global poverty" but they must also be viewed to have "*the capacity to stop, the contribution to and the benefits from global distributive injustices*." (Culp 2014: 1).

Across the globe, "the poorest half of the population still owns nothing" (Piketty 2014: 377). The World Development Report 2014 reveals that "many people around the world are poor or live very close to poverty; they are vulnerable to falling deeper into poverty when they are hit by negative shocks. More than 20 percent of the population in developing countries live on less than $1.25 a day[1], more than 50 percent on less than $2.50, and nearly 75 percent on less than $4.00" (WDR 2014: 5). The report also notes that "mortality rate from illness and injury for adults under age 60 is two and a half times higher for men and four

[1] It is worth nothing that "$1.25 per day is a widely used measure of extreme poverty. However, $2.50 per day is considered a more relevant measure of extreme poverty for some regions" (WDR 2014: 5).

times higher for women in low-income countries than in high-income countries, while the rate of children under age five is almost twenty times higher" (WDR 2014: 4). According to the World Bank Annual Report 2013, "more than 1 billion people worldwide are still destitute, inequality and social exclusion seem to be rising in several countries, and many urgent and complex challenges must be overcome to maintain the recent momentum in poverty reduction" (World Bank 2013). "The constant" day to day hard choices associated with poverty in effect tax an individual's *bandwidth*, or mental resources. This *cognitive tax*, in turn, can lead to economic decisions that perpetuate poverty" (WDR 2015: 81). In view of these and such other facts, there is a growing realization that the just distribution of benefits and burdens among societies demands governance at global level and "the problem may not be with how markets should or do work, but with our political system" (Stiglitz 2014). In other words,"there must be a head-on acknowledgement that the ethical and justice issues posed by the global polarization of wealth, income and power, and with them the huge asymmetries of life chances, cannot be left to markets to resolve" (Held 2010: 135).

Distributive justice, at global level is one of the major problems, whose solution is no one's responsibility in the absence of a world government. Globalization has limited the sovereignty of the nation state; therefore, nation state is not powerful enough to adequately ensure distributive justice even at national level because "we live in a world of 'overlapping communities of fate'… from the conditions of financial stability to environmental degradation, the fate and fortunes of each of us are thoroughly intertwined" (Held 2008: x). Kant (1983) gave the idea of a world state. It may be presumed that a world state may be able both to protect capital-in-general at global level and to provide global distributive justice. However, Kant later realized that a world state was undesirable. Without fully renouncing the idea of a world state, Kant "introduced the weaker conception of a league or confederation of nations" (Habermas 2008: 124).

Rawls (2003) and Habermas (2001, 2008, 2009) both draw on the ideas of Kant (1983). While Kant did not fully renounce the idea of establishing a world state, Rawls's approach to the question of a world state shows that a world democratic republic is both undesirable and impossible. Rawls seeks global governance without global government through his proposed Law of Peoples (2003). It is in the framework of the Law of Peoples that Rawls addresses the problem of global distributive justice. For Habermas, in the existing world, a global democratic republic is both undesirable and impossible. Habermas seems mainly concerned not with providing global distributive justice, but with distributive justice at the level of the European Union.

Rawls's Model of Global Governance

One of the main reasons Rawls rejects the establishment of a world state is that a world state demands global egalitarian distribution that Rawls endorses at the national level, but renounces at the global level. A main reason for the rejection of a global egalitarian distribution is that Rawls does not see a single global community whereas a single community exists at the national level.

To Rawls, the world is not inhabited by a single community, but is deeply divided. Rawls conceives the world as divided into five different types of societies: liberal people[2], decent people[3], outlaw states[4], benevolent absolutisms[5] and burdened societies[6]. Liberal

[2] Liberal people have three basic features: (1) a reasonably just constitutional democracy (2) united by common sympathies (3) a moral nature (Rawls 2003).

[3]Decent peoples do not have aggressive aims, they honor human rights and they have a decent consultation hierarchy (Rawls 2003).

peoples and decent peoples together are referred to as well-ordered peoples whereas the rest are ill-ordered or disordered societies. It is only well-ordered societies that Rawls refers to as peoples. He "only rarely uses the term 'people' of those other three regimes, resorting instead to terms like 'society', 'state' and 'country'" (Pettit 2006: 42). "Peoples are treated by Rawls as capable of agency" (Pettit 2006: 42). "A people will exist as an agent on the domestic and international fronts only if the government acts appropriately in its representative role, giving the people a voice and a presence on those fronts" (Pettit 2006: 43). Thus, Rawls's society of peoples excludes what he calls outlaw states, benevolent absolutisms, and burdened societies. Rawls legitimizes violence against "outlaw" states, and theorizes a duty of assistance to "burdened" societies. He sees the seeds of liberal values in "burdened" societies.

This is a brief sketch of the Rawlsian conception of the divided world. It is impossible for this world divided across well-ordered and ill-ordered (even disordered) lines to establish a liberal world republic. It is not possible to establish a world democratic republic unless outlaw states and benevolent absolutisms imbibe the liberal values of liberty, equality, fairness, and progress. Broadly speaking, domestic community precedes the establishment of a nation state in contractarian tradition. Therefore, a world state cannot be established unless a global community emerges. Rawls's Society of Peoples excludes ill-ordered societies and thus does not constitute a global community. Thus, a world democratic republic on Rawlsian view, seems implausible, and therefore, there seem to be no prospects for the provision of distributive justice at global level.

Rawls explicitly rejects the idea of a world republic precisely on Kantian grounds. Rawls maintains: "here I follow Kant's lead.in thinking that a world government…would either be a global despotism or else would rule over a fragile empire torn by frequent civil strife as various regions and peoples tried to gain their political freedom and autonomy" (Rawls 2003: 36). Thus, on the Rawlsian view, if the world that is divided into well-ordered and ill-ordered societies, i.e. a world divided into peoples and non-peoples, is transformed into a global state it is likely to be "a fragile empire torn by frequent civil strife", perhaps, strife between peoples and non-peoples. Rawls's renunciation of a global state is partly rooted in the national welfare concern. He appears to reject a global state partly because it demands global egalitarian distribution that Rawls approves only at the national level. This is the concern for the national welfare that motivates Rawls to discredit global egalitarian principle while he necessitates the difference principle at the national level. He rejects global difference principle i.e. global redistribution, say through global taxation. The world state if established, will have to enforce global difference principle because the establishment of a world state entails elimination of the boundaries between domestic/national and global.

Rawls does not envisage even the establishment of a limited global state, namely, a transnational republic of well-ordered peoples (i.e. liberal and decent peoples). This would require imposition of egalitarian distributive principle at the transnational level which he does not envisage. Rawls does not think that liberal and decent peoples together constitute a community because they do not share the bases that unify distinct peoples. To identify such bases, Rawls refers to "identity of political antecedents; the possession of a national history;

[4]Outlaw states are regimes that "think [that] a sufficient reason to engage in war is that war advances, or might advance, the regime's rational (not reasonable) interests" (Rawls 2003: 90).

[5]Benevolent absolutisms "honor most human rights, but because they deny their members a meaningful role in making decisions, they are not well-ordered" (Rawls 2003: 63).

[6]Burdened societies are those "whose historical, social and economic circumstances make their achieving a well-ordered regime, whether liberal or decent, difficult if not impossible" (Rawls 2003: 5).

and consequent community of recollections; collective pride and humiliation, pleasure and regret, connected with the same incidents in the past" (Rawls 2003: 23n). Decent peoples do not constitute a community with liberal peoples but rather "decent peoples are to be tolerated" (Miller 2006: 80). Thus, even a limited "global" state is not desirable in Rawlsian framework.

Rejecting a world state, Rawls specifies the long term and the final goal of the Law of Peoples: "The long-term goal of (relatively) well-ordered societies should be to bring burdened societies, like outlaw states, into the Society of well-ordered Peoples" (Rawls 2003: 106). "The aim of the Law of Peoples would be fully achieved when all societies have been able to establish either a liberal or a decent regime, however unlikely that may be" (Rawls 2003: 5). Rawls's specified aim of the Law of Peoples, i.e., metamorphosis of all societies to either a liberal or a decent regime, does not envisage the ultimate transformation of the liberal and decent regimes to a world republic. Thus, Rawls envisions the provision of distributive justice essentially at national level. However, to provide distributive justice beyond the borders of the nation-state, Rawls proposes global governance without global state. He emphasizes the need for developing a multinational society of well-ordered peoples (a society only of liberal and "decent" peoples). It may be said that outlaw states and benevolent absolutisms are the outcasts of the imagined global civil society while burdened societies are at the margins of this society.

Rawls's Framework for Distributive Justice beyond the Nation-State

Rawls (1980) conceives the (first) original position in his A Theory of Justice for distributive justice at national/domestic level. The first original position is a hypothetical position imagined to enable rational and self-interested individuals to choose fair principles of justice at national level. Parties in the original position are behind the veil of ignorance in the sense that "no one knows his place in society, his class position or social status, nor does anyone know his future in the distribution of natural assets and abilities, his intelligence, strength and the like" (Rawls 1980: 12). In his second original position, Rawls conceives rational representatives of liberal and decent peoples to specify principles of justice meant to be imposed at global level. The representatives are imagined to be behind the veil of ignorance regarding "the size of the territory, or the population, or the relative strength of the people whose fundamental interests they represent…the extent of their natural resources, or the level of their economic development" (Rawls 2003: 32-33). If the principles of justice, in the original position, were chosen by the representatives of all societies (and not just by those of liberal and decent peoples) they might choose a world state. Rawls maintains that the representatives in the global original position would choose eight principles of justice which constitute the charter of the Law of Peoples. These principles are: (1) respect for freedom and sovereignty (2) honoring treaties and undertakings (3) equality of the parties to an agreement (4) duty of non-intervention (5) right of self-defense (6) honoring human rights (7) certain restrictions in the conduct of war (8) duty of assistance to societies burdened by unfavorable conditions (Rawls 2003). Mainly Rawls's eighth principle of his charter of the Law of Peoples is related to distributive justice. Rawls's duty of assistance is less concerned with the wellbeing of societies across the globe and more with transforming 'burdened societies' into 'decent peoples.'

Rawls rejects redistribution from a rich well-ordered society to a poor well-ordered society as well whether liberal or decent. Rawls justifies his position with two thought-examples. In case I, Rawls imagines two (well-ordered) liberal or decent societies. Both are assumed to be at the same level of wealth and have the same size of population. The first society, after a few decades, becomes twice as rich as the second by choosing to industrialize. In case II, both societies have a rather high population growth rate. The first society, by stressing equal justice for women, brings population growth rate to zero while the second society maintains its high population growth rate. Consequently, some decades later, the first becomes twice as rich as the second. Since "both societies are liberal or decent, and their population free and responsible, and able to make their own decisions, the duty of assistance does not require taxes from the first" (Rawls 2003: 117). To Rawls, a rich people are rich because they chose hardwork, industrialization, population control and saving whereas the poor societies chose leisurely lifestyle, pastoral living, population growth and wastefulness. Thus, the worse-off liberal and decent countries are themselves responsible for their destitution. Therefore, redistribution by taxing the rich to assist the poor will be unjust. Rawls does not realize that non-industrialization cannot be chosen by a capitalist community. There is no non-industrializing liberal community in the world today. Hence, the contrast conceived by Rawls is a false one representing a misunderstanding about the relationship between liberalism and capitalism. Moreover, a sharp contrast between Rawls's views on domestic case and international case is that the difference principle seeks to reduce the arbitrariness of the fates of individuals at the national level whereas in The Law of Peoples, Rawls "is concerned more with the legitimacy of global coercion than he is with the arbitrariness of the fates of citizens of different countries" (Wenar 2006: 95).

It may be argued that the least advantaged at the national level may also be considered poor because of their choices. Conversely, it may be argued that a level playing field is lacking at both domestic and global levels, that is, the playing field is characterized by contours that favor the rich and the powerful over the weak and the poor. Thus, the domestic difference principle is at odds with the rejection of global egalitarian principle. However, Rawls recognizes the duty of assistance to "burdened societies" with a target[7] and a cutoff point[8]. Peter Singer (2004) holds that if the problem of redistribution of wealth can be addressed in the case of redistribution within a society, it can as well be addressed in the case of redistribution among societies. Rawls argues that liberal societies have a duty to assist "burdened societies" so that they can become well-ordered societies and can accept the Law of Peoples. Rawls does not support the duty of assistance to the individuals who are starving, and dying of easily preventable diseases, who are suffering from malnutrition and who have no access to clean drinking water because they happen to be members of 'non-burdened' societies and live in some non-developed geographical unit, and have a different history and different community of recollections. Rawls essentially advocates the duty of assistance in order to attain liberal or decent institutions. Rawls does not envisage an all-inclusive global transfer system. Held (2010), for example, envisions a transfer system "across communities to alleviate the most pressing cases of avoidable economic suffering and harm" (Held 2010: 109). Held advocates "the creation of new form of regional and global taxation— for instance, a consumption tax on energy use, or a tax on carbon emissions, or a global tax on the extraction of resources within national territories, or a tax on the GNP of countries above a certain level of development…to meet the most extreme cases of need" (Held 2010: 109). Rawls's duty of assistance, however, does not support a transfer system with a cosmopolitan target. For Rawls's duty of assistance, suffering per se, or the degree of suffering does not count. His duty of assistance is concerned with alleviating the suffering only of those sufferers who are "capable" of being defined as 'burdened societies'.

Moreover, Rawls incorrectly assumes that "there is no society anywhere in the world—except in marginal cases—with resources so scarce that it could not, were it reasonably and rationally organized and governed, become well-ordered" (Rawls 2003: 108). Rawls, here, "overestimates the extent to which states are economically self-sufficient and distributionally autonomous" (Ingram 2003: 385). Rawls also does not appear to adequately respond to the negative effects of global integration of markets. For example, the rules and

[7]The target of the duty is that "it seeks to raise the world's poor [*the poor only of the burdened societies*; italics mine] until they are either free and equal citizens of a reasonably liberal society or members of a decent hierarchical society" (Rawls 2003: 119).
[8]Once the target is achieved the duty of assistance ceases to apply i.e. the cutoff point.

regulations laid down by global institutions such as the World Trade Organization, the World Bank, the International Monetary Fund and the United Nations set up a system that greatly advances the national interests of developed countries over those of developing ones (Pogge 2008). Thus, in unison with Rawls, the transnational institutes of global governance, such as the WTO, the IMF, and the World Bank would not approve global redistributive measures.

Habermas's Model of Global Governance

The idea of a world state is one of the forms in which Kantian view of the cosmopolitan condition is supposed to be realized. Cosmopolitan condition means "peace made permanent" (Habermas 2008). Habermas's cosmopolitan project is rooted in Kantian vision of creating world permanent peace—certainly, liberal peace. Kant was deeply concerned with the existing system in the world arena in which belligerent nation-states competed with each other for power and money, while being caught in the Lockean state of nature. On the Kantian view, national peace is not possible without international peace. "Civil constitutions must fail to bring peace internally while external threats to peace persist" (Strauss & Cropsey: 608). Kant conceived of the alternative of a world republic to the existing system of belligerent nation-states. Though "over the course of his career, Kant never actually renounced the idea of a complete constitutionalization of international law in the form of a world republic (Habermas 2008: 124) he "judged that the nations were not yet sufficiently mature [*i.e., liberal*]" for the realization of the idea(Habermas 2008: 125). To Habermas, a world republic is not an appropriate idea in the contemporary world. Kant held that a world republic would "degenerate into something different from a supranational legal order" (Habermas 2008: 123). It would become a "universal monarchy" (Habermas 2008: 124). A "universal monarchy could bring about a legal pacification of world society by repressive means, that is, through a despotic monopoly of power" (Habermas 2008: 124). Thus, to Habermas, a peace established by a universal monarchy will not be liberal peace. What is desired by the constitutionalization of international law is world permanent liberal peace through universalization of human rights which universal monarchy cannot provide.

It can be argued that another implicit reason for rejecting a world state in the Habermasian framework of cosmopolitanism is that world despotism cannot be embedded in intersubjective speech action, that is, it cannot be legitimized by Habermas's discourse ethics[9]. However, nor is Habermas's model of global governance based on discourse ethics and intersubjective speech action. Still, a global state is not desirable even though a nation-state cannot adequately protect global capital nor can it adequately promote global distributive justice.

Habermas envisages a multilevel system of global governance. He argues that constitutions are not necessarily tied with states. They can exist independent of states. He gives the examples of the "constitutions" of the UN, WTO and EU etc. He calls them proto-constitutions. He conceives the embeddedness of constitutionalization of international law coupled with a multilevel system of global governance without a state. To Habermas, "it is the 'constitution' that has been evolving, and not the state" (Habermas 2008: 134). Thus, the constitutional nation-state cannot be transformed to the global state. Habermas outlines the multilevel system of global governance for realizing the goal of permanent global liberal peace through the universalization of human rights. Distributive justice beyond national borders is contextualized within the multilevel system of global governance without world government. His proposed multilevel system consists of a supranational level (a world organization with executive authority), a transnational regional level (on the model of the EU)

[9] Habermas's discourse ethics aspires "more open, egalitarian frank, but respectful dialogue between citizens with different interests and backgrounds who want to find better ways of living together" (Goode 2005: 73).

that he calls global domestic politics, and a national level. At the supranational level, "a suitably reformed world organization could perform the vital but clearly circumscribed functions of securing peace and promoting human rights" (Habermas 2008: 136). Habermas gives the title of global domestic politics to the intermediate/transnational/regional level. At the intermediate level, "the major powers…would have to cope with global economic and ecological problems within the framework of permanent conferences and negotiating forums" (Habermas 2008: 136). Distributive justice beyond the nation-state is the responsibility of the intermediate/transnational/regional level of governance. An essential problem of global domestic politics is that "apart from the US, at present there are no global players with a sufficiently representative mandate to negotiate and the necessary power to implement such policies" (Habermas 2008: 136). For the concretization of the vision of global domestic politics, Habermas recommends that "nation-states in the various world regions would have to unite to form continental regimes on the model of an EU" (Habermas 2008: 136). This implies that Habermas's vision of a multi-layered system of global governance without a world state demands limited disorganization of the nation-state. This disorganization at the national level is intended to empower world organization at the global level and 'global domestic politics' at the regional level.

Habermas proposes the constitutionalization of international law which legitimizes the limitation of the principle of national sovereignty. The supranational world organization (i.e. a reformed UNO) will be equipped with executive authority. "Executive powers above the level of the nation-states would complement the fragmentary proto-constitution of classical international law" (Habermas 2008: 134).

Habermas renounces the establishment of a world state as despotic, but accepts the alternative of a world organization with executive authority.Habermas's vision of the world leadership, at best, seems to be confused and self-contradictory. On one hand, he holds that "the project of a cosmopolitan order is doomed to failure without American support, indeed American leadership" (Habermas 2008: 179). Habermas does not, however, show that how the intersubjective communicative action will prevail at global level under the world leadership of the US. On the other hand, he is inspired with new hopes "for a new world order under the leadership of the world organization" (Habermas 2008: 147). A world organization with executive authority will hardly, if at all, be reconcilable with Habermas's discourse theory. Instead of intersubjective communication there will be subject/object division between big powers and weak countries. Thus, despite his rejection of a world state Habermas's "own model of global reform ultimately looks like a state, walks like a state, and talks like a state" (Scheuerman 2008: 491). Habermas seems to have a vision of federal Europe also as the world leader: "hitherto, history has granted the empires that have come and gone but *one* appearance on the world stage. This is just as true of the modern states___ Portugal, Spain, England, France, and Russia___ as it was for the empires of antiquity. By way of exception, Europe as a whole is now being given a *second* chance" (Habermas 1996: 507). None of these three visions gives a scheme to eliminate injustices caused by big powers and global regimes such as WTO and IMF etc. Moreover, none of these visions appears to be concerned with providing global distributive justice.

Habermas's Framework for Distributive Justice beyond the Nation-State

Argument from national welfare is also embedded in Habermas's approach to a world state. He is concerned with multinational welfare of the member states of the European Union only. Habermas is primarily concerned with the rising emergence of an underclass in Germany and some other European states. He envisages curbing multinational business possibly by making their incomes—produced anywhere in the world—taxable for the social welfare of European Union. With a view to reduce inequalities between the member states, Habermas holds that the European Union must guarantee "the uniformity of living standards" in the member states (Habermas 2012: 53). However, he does not have a global redistribution plan. Habermas essentially views "global" distributive justice as a responsibility of the transnational/regional level and not that of the supranational level.

Habermas maintains that "the market and politics rest on conflicting principles" (Habermas 2009, 190). This implies that the market is the realm of self-interest whereas politics is the realm of the common good. For example, global financial crisis 2007-2008 has severely affected the welfare of millions of individuals in many countries. However, Habermas does not blame the functioning of the market for the financial crisis. He remarks, "politics, and not capitalism is responsible for promoting the common good" (Habermas 2009, 184). In other words, the market's pursuit of profit-maximization and accumulation was in accordance with the principle of private interest whereas politics did not adequately perform its role of the pursuit of public good. With the global integration of markets, "global capitalism has escaped the grasp of the State…capital accumulation…exceeds the control of the State and pervades society totally…State politics is now merely the continuation of capital accumulation by other means (Holland 2008: 81). The global free trade which is more or less unregulated "needs direction and administration if it is not to produce asymmetrical advantages for one side and to ruin whole economies" (Habermas 2008: 56). Thus, the state and the makers of public policy are responsible for not being able to protect common welfare. It appears that the main cause of the failure of politics is the desovereignization (though limited) of the nation-state. The nation-state is not powerful enough to take appropriate action in order to protect and promote common good. Habermas does not suggest regression to the sovereignization of the nation-state since it has become obsolete. Thus, "politics must build up its capacities for joint action at the supranational level if it is to catch up with the markets" (Habermas 2009, 190). The purpose of this "catch up" is promoting the common good, for Habermas, welfare of the European Union.

If the market is left to its own the common good will seriously be sacrificed. Market is focused on accumulation (private interest), and not on generating equitable distribution (common good). Thus, markets ought not to be supposed to resolve the "questions of global energy, environmental, financial and economic policy, all of which involve the issue of equitable distribution" (Habermas 2009, 114). The goals of equitable distribution and public welfare demand regulation of the market mainly at transnational (regional) level. To Habermas, "the problems of the global economy [are] in need of regulation—including problems of climate and environmental policy, of the distribution of contested energy resources, of scarce supplies of drinking water, and so on" (Habermas 2009, 191). Habermas seems to hold that the distributional problems of the member states of the European Union should be resolved at the regional level i.e. at the level of the European Union. Habermas lays emphasis on the need for establishing a global supranational organization (an empowered U.N.O), but he does not recommend a distributional scheme at the global level. This is so perhaps because the main focus of the Habermasian supranational organization is to establish liberal peace through universalization of human rights and constitutionalization of international law. The problem is that the constitutionalization of international law provides no means for addressing the problem of distributive justice at the global level and Habermas does not show that the constitutionalization of international law at the transnational/regional level provides a basis for distributive justice at the transnational/regional level. Moreover, Habermasdoes not appear to envisage the establishment of global economic distributive justice through regulation of the global trade by a supranational organization.

Habermas does not offer something similar to Rawls's duty of assistance to burdened societies or Pogge's (1989) global egalitarian distribution principle. In other words, though Habermas certainly emphasizes the need for promoting distributive justice at the EU level, he does not offer a distributional scheme for his idea of equitable distributioneven at the EU level. With the enlargement of the EU, according to Habermas, the problem of "the gaps in socioeconomic development between the old and the new members" has worsened

(Habermas 2008: 69). These gaps in socioeconomic development "will aggravate conflicts over the distribution of the scarce resources of a comparatively small EU budget, conflicts between net contributors and net beneficiaries, core and periphery, old recipients in Southern and new recipients in Eastern Europe, small and large member states and so on" (Habermas 2008: 69-70). Habermas seeks to resolve these envisaged problems at the transnational regional level. Similar solutions of similar problems at global level do not appear to be a part of the agenda of Habermasian redistribution.

Habermas speaks of "a harmonization of tax policy" in the common currency zone of the EU. This proposed harmonization, to Habermas, "is the toughest nut to crack because it calls for redistribution" (Habermas 2008: 55). Redistribution is the toughest challenge even among the member states of the EU because "the Portuguese, Germans, Austrians, and Greeks are unwilling to recognize each other as citizens of the same political community" (Habermas 2008: 55). Habermas views nationalism as a deviancy, but his postnationalism does not go beyondthe European Union. This also implies that in spite of his quest of the cosmopolitan project, Haberams remains a European nationalist. This also partially explains his primary commitment to equitable distribution and public welfare at the regional level. While he does not offer a systematic treatment of the problem of distribution at the global level, he emphasizes that redistribution at the level of the EU demands that individuals in the member states need "to recognize each other as citizens of the same political community" (Habermas 2008: 55). Habermas is a strong advocate of European federalism. In Habermasian perspective, provision of distributive justice and the steering/regulation of financial markets also demand political integration and empowerment of European Union. He maintains that "the European Union can withstand the financial speculation only if it acquires the necessary political steering capacities to work towards a convergence of the member states' economic and social development" (Habermas 2012: 50).

Conclusion

Both Rawls's and Habermas's approaches are embedded in the Kantian conception of a cosmopolitan condition, but they seek the realization of the cosmopolitan project in different forms. Rawls seeks its realization through the law of peoples whereas Habermas through the multilevel system of global governance. Both envisage the universalization of human rights. Rawls resorts to the universalization of human rights essentially through the principles of the law of peoples whereas Habermas through constitutionalization of international law. Both Rawls and Habermas renounce the desirability of establishing a world state. Habermas is chiefly concerned with distributive justice at the level of the European Union though he does not give a framework for this distribution. Rawls, on the other hand, seeks distributive justice at relatively broader level by formulating the duty of assistance for helping the burdened societies. However, neither Rawls nor Habermas adequately address the problem of global distributive justice.

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ARTICLE

Human Resource Practices Predicting Manager Performance Appraisal: Evidence from an Airline Company in Bangladesh

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Abstract

This study examines the effects of recruitment and selection, decision decentralization, training and development, career development, promotion, and work environment on manager's performance appraisal. Using a 100-person sample from an airline company in Bangladesh, it shows significant positive relationships among these study factors.

Key Words: Performance appraisal, Training, Manager, Developing Country

Background

Performance appraisal usually involves 'evaluating performance based on the judgments and opinions of subordinates, peers, supervisors, other managers and even workers themselves' (Jackson & Schuler, 2003). Over two decades ago, Bernardin and Beatty (1984) identified many interdependent purposes of performance appraisal, include improving the use of resources and serving as a basis for personnel actions. Similarly, Cleveland and colleagues (Cleveland, Mohammed, Skattebo, & Sin, 2003) have shown that in practice, performance appraisals appear to be directed to four purposes: to make distinctions among people, distinguish a person's strengths from his or her weaknesses, implement and evaluate human resource systems in organizations, and document personnel decisions. The efforts of employees can determine the success and survival of an organization (Drucker, 1994; Barney, 1995), and appraisal is potentially one way in which those efforts can be aligned with the aims of an organization, employees can be motivated and their performance managed (Cook & Crossman, 2004). The objective of the present study is to investigate the effects of recruitment and selection, decision decentralization, training and development, career development, promotion, and work environment on performance appraisal among managers in an Airlines firm. The findings can assist Airlines to know why and how different variables of performance appraisal influence manager's performance effectively.

Literature Review

The existence of an appraisal process is central to demonstrating that training and development needs are reviewed against targets at organizational and individual level (Investors in People, 1998). For human resource (HR) specialists, the increased use of appraisal is welcome because the establishment of an appraisal system represents the systematic collection of information about employees which provides the bedrock of all HR practice (Bach, 2005). Appraisal data is valuable source of information about the effectiveness of recruitment and selection and equal opportunity policies (Bach, 2005). So far in my knowledge no study has been conducted yet to investigate the likely determinants predicting performance appraisal of employees in Airlines Company in Bangladesh. One of the previous researches focused on the perception of performance appraisal process in the context of Readymade Garments (Miah & Talukder, 2012) but not in Airlines Company. Several factors might affect performance appraisal, and unlike other studies of human resource management, the present study sheds some lights if not substantial to the extant literature especially in a developing country as Bangladesh. The study assumed six variables that could affect performance appraisal of managers in an Airlines Company in Bangladesh. In the sections that follow variables influencing the performance appraisal will be spelled out in turn.

Recruitment and Selection (RS)

It is argued that proper staffing is critical to build and sustain competitive advantage (Boxall, 1996). Recruitment and selection is a major Human Resource Management (HRM) function as it encompasses all organizational practices and decisions. Recent technological advances, globalization, social trends and changes within organizations have brought new challenges for recruitment and selection (Rowley & Benso, 2002). To effectively face the new challenges recruitment and selection needs to be integrated with business strategies (Lam & White, 1998). Recruitment and selection strategies flow ultimately from the organization's mission and strategic objectives i.e., the strategies and processes of recruitment and selection must be compatible with business strategies (Nankervis, Compton & Baird, 2002). Social scientists argue that through the integration with business strategies, recruitment and selection helps achieve strategic goals and augment performance appraisal (Becker & Gerhart 1996). It is proposed that:

Hypothesis 1: Right recruitment and selection will be positively related to performance appraisal.

Decision Decentralization (DD)

In decentralized system decisions may be taken faster, recruitment can be tailored to the specific needs of the organization and less complex procedures are needed. In addition, effectiveness is increased because decentralization increases managers' discretion, thus enabling them to recruit, evaluate, offer incentives, promote, suggest training needs, and communicate according to their specific demands. The philosophy underlying decentralization and deregulation is well-known: centralized HRM is rigid, unresponsive, slow and ineffective (Meyer & Gerhard, 2010). In addition, the success of decentralized systems greatly depends on the skills managers and HR professionals possess to carry out their tasks and responsibilities. Thus, greater autonomy and decentralization of responsibilities require considerable investment in management qualifications at all levels. Decentralization is the linchpin of current HR reform efforts (Hays, 2001). While decentralization is by no means a new idea, the calls for its adoption have been more refocused in recent years (Kellough & Selden, 2003). HR decentralization has moved from the realm of rhetoric to concrete administrative action: Evidence of HR decentralization abounds at all levels of government (Ingraham & Sally, 2002). It is proposed that:

Hypothesis 2: Decision decentralization in human resource practices will be positively related to performance appraisal.

Training and Development (TAD)

Employee Training and Development (TAD) is aimed at improving individual, team and organizational effectiveness (Kraiger & Ford, 2007) and is regarded as one of the most widespread human resources human resource practices (Boselie, Dietz, & Boon, 2005). As the overall focus of TAD is on improving employee performance (Kraiger, McLinden, & Casper, 2004), a central issue is whether there is a direct relationship between TAD and employee outcomes. Such an assumption seems to exist, at least, based on its widespread presence across countries and cultural settings (Kraiger & Ford, 2007). From the 'best practice HRM perspective', high levels of training opportunities will lead to superior organizational performance (Guest, 1997; Purcell, 1999). More specifically, the fulfillment of employee developmental needs leads to flexible, autonomous and empowered employees based on their self-regulated behavior and discretionary effort (Pfeffer, 1998). The 'best practice' model, therefore, argues more or less implicitly, that all firms will be better off if they adopt the same 'best practices' (Khilji & Wang, 2006). Extending this argument, TAD advocates suggest that, when based on reflective and systematical planning, TAD may have a positive impact on employee and organizational performance (Wright & Boswell, 2002). It is proposed that:

Hypothesis 3: Training and development will be positively related to performance appraisal.

Career Development (CD)

The positive gains for organizations of providing employees with satisfying and rewarding career development opportunities are fairly well established. For example, a number of prior studies have highlighted the significant relationships between perceived career development opportunities and positive work attitudes such as job satisfaction (Chen, Chang, & Yeh, 2003) and organizational commitment (Blau, Merriman, Tatum, & Rudman, 2001). Employers need to provide employees with a range of career development opportunities that promote their employability security. In other words, an economic exchange model is proposed where employee loyalty and high performance (albeit perhaps over the short term) is generated through the provision of valued and marketable career development opportunities (Sturges et al., 2005). Kraimer et al. (2011) present some empirical support for the positive relationship between career opportunities and role-based performance. It is proposed that:

Hypothesis 4: Career development will be positively related to performance appraisal.

Promotion

Promotions serve the critical role of ensuring the optimal allocation and utilization of human resources in organization (Kaplan & Ferris, 2001). Promotions represent opportunities for coalitions to maintain or wrest control of key organizational positions. The multiple stakeholders affected by a promotion decision make the mechanism by which these decisions are made a critical part of the human resource function. Markham, Harlan, and Hackett (1987) noted that promotion enhances human capital and deploys it more effectively, thereby improving job performance and increasing satisfaction and commitment. Ruderman, Ohlott, and Kram (1997) conducted research in three *Fortune 500* companies reported the impact on the promotion decision-making process. The study determined that promotions are awarded on the basis of proven competencies and the potential for development. Employees are most likely to have positive perceptions of their organization and organizational justice when they receive more rewards, such as promotions. The present study is designed to determine how promotion affects performance appraisal, when the promotion is tied to meeting increasingly demanding performance standards. It is proposed that:

Hypothesis 5: Promotion policies will be positively related to performance appraisal.

Work Environment (WE)

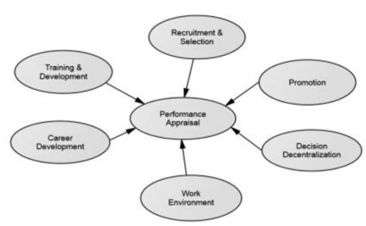
Enhanced environmental control improves employee performance and organizational effectiveness (O'Neil, 2008). A growing body of research shows strong links between degree of environmental control and outcomes such as stress and group and individual performance and speed and cost of business processes between departments (Carayon & Smith, 2000; Lee & Brand, 2005). Examination of work environments is a worthy endeavor because of the link between work environments and long-term care quality outcomes (Scott-Cawiezell et al., 2004). Work environment refers to the social-psychological characteristics of a work setting (Chan & Huak, 2004). It is determined by many factors such as the physical features, the organizational policies in the work setting and the characteristic behaviors of people at work. Vischer (2007) incorporated psychological dimensions such as employee-employer relationships, motivation and advancement, job demands and social support as the key determinants of the physical environment of work. So, the environment which can provide a good balance of all these factors is said to be favorable work environment. A poor work environment has proved to be associated with reduced job satisfaction, absenteeism, somatic complaints, burnout and depression (McCowan, 2001). It is proposed that:

Hypothesis 6: Work environment will be positively related to performance appraisal.

Conceptual Model

A model was tested (see Figure 1) that derived from a review of the literature by integrating theory and research pertaining to recruitment and selection policies, decision decentralization, training and development, career development, promotion policies, and work environment and their relationship with performance appraisal. Competent appraisal of individual performance in an organization serves to improve the overall effectiveness of the entity. According to D. McGregor (1960), author of *The Human Side of Enterprise,* the three main functional areas of performance appraisal systems are: administrative, informative, and motivational. Appraisals serve an administrative role by facilitating an orderly means of determining salary increases and other rewards, and by delegating authority and responsibility to the most capable individuals. The informative function is fulfilled when the appraisal system supplies data to managers and appraises about individual strengths and weaknesses.

Figure 1: The Hypothesised Model



Finally, the motivational role entails creating a learning experience that motivates workers to improve their performance. When effectively used, performance appraisals help employees and managers establish goals for the period before the next appraisal. Since performance appraisal is crucial to bring success to an organization, it is necessary to analyze the factors which affect performance appraisal. In this study, performance appraisal is the only outcome variable whereas recruitment and selection (RS), decision decentralization (DD), training and development (TAD), career development (CD), promotion, and work environment (WE) are the predictor variables.

Methods

The participants were full-time employees of a leading domestic airline in Bangladesh. The effective sample consisted of 100 participants. The study administered convenience sampling to select the participants. In general, random samples provide a good approximation of the population and offer better assurance against sampling bias; thus are more representative than non-probability samples (e.g., Lazerwitz, 1968). Nevertheless, due to situational and financial constraints, researchers in many fields rely heavily upon convenience sampling (Randall & Gibson, 1990). Of 100, 32% were from the top and mid-management and the rest 68% were from the front management. Of 100 respondents, 70 were male and 30 were female. All the questions in the survey questionnaire were of 5-point Likert Scale ranging from 1 (Strongly Disagree) to 5 (Strongly Agree). All the participants were given a letter, attached to the questionnaire, from the researcher explaining the context of the research. No information was asked on the identity or contact information of the respondents. The study area was limited to Dhaka City the capital of Bangladesh. The name of the Airlines has not been disclosed due to ethical obligations. All employees received questionnaire through mail following ethical approval. Employees were assured of the confidentiality to their responses. The instrument consisted 21 items with seven constructs e.g., recruitment and selection, decision decentralization, training and development, career development, promotion, work environment and performance appraisal. SPSS version 22 was used to analyze the data, including a reliability test, regression analyses and Pearson's correlations to investigate the relationships between variables.

Results

Descriptive statistics, reliabilities, and coefficient values of all the variables are displayed in Table 1. Cronbach's α for the variables used in this study ranged from .71 to .92 which exceeds the suggested cut-off value of .70 (Hair et al., 2010). Both correlation and regression analysis were conducted to explore the relationship. Hypothesis 1 predicted that right recruitment and selection would be positively related to performance appraisal within employees. The study confirmed a significant positive relationship between recruitment and selection and performance appraisal (r=.51**; p<.01). This was supported by regression results (β=.44*; p<.05) displayed in Table 2.

Table 1: Means, standard deviations, reliabilities (in bold) and correlations of variables

Variables	*Mean*	*SD*	1	2	3	4	5	6	7
1. Recruitment and Selection	3.65	.72	**(.87)**						
2. Decision Decentralization	3.25	.53	.49**	**(.74)**					
3. Training and Development	3.60	.91	.42**	.37**	**(.71)**				
4. Career Development	3.21	.70	.14	.47**	.42**	**(.75)**			
5. Promotion	3.88	.84	.73**	.57**	.51**	.35**	**(.92)**		
6. Work Environment	3.60	.69	.60**	.66**	.54**	.48**	.76**	**(.83)**	
7. Performance Appraisal	3.47	.63	.51**	.58**	.50**	.52**	.66**	.73**	**(.77)**

*N=100, **p<.01; all items measured in 5 point Likert scale.*

Hypothesis 2 predicted that decision decentralization in human resource practices would be positively related with effective performance appraisal. The results supported hypothesis in finding a significant positive relationship between decision decentralization (r=.58**; p<.01) and performance appraisal. This was also supported by regression results (β=.68*; p<.05).

Hypothesis 3 predicted that training and development would be positively related to performance appraisal. The results supported hypothesis in finding a significant positive relationship between training and development (r=.50**; p<.01) and performance appraisal. This was confirmed by regression analysis (β=.34*; p<.05). Hypothesis 4 predicted that career development would be positively related to performance appraisal. The results confirmed a significant positive relationship between career development (r=.52**; p<.01) and performance appraisal. This was also supported by regression analysis (β=.46*; p<.05). Hypothesis 5 predicted that promotion would be positively related to performance appraisal. The results confirmed a significant positive relationship between promotion (r=.66**; p<.01) and performance appraisal. This was supported by regression results (β=.49*; p<.01). Hypothesis 6 predicted that work environment would be positively related to performance appraisal. The results confirmed a significant positive relationship between work environment (r=.73**; p<.01) and performance appraisal. This was supported by regression results (β=.66*; p<.05). It has been evident that all the six independent variables were positively related to performance appraisal.

Table 2: Regression results of variables affecting manager's performance appraisal

	Performance		Appraisal	
Variable	**β**	**T**	**F**	**Adjusted R^2**
Recruitment and Selection	.44*	5.89	34.79	.25
Decision Decentralization	.68*	7.05	49.70	.33
Training and Development	.34*	5.70	32.58	.24
Career Development	.46*	6.06	36.82	.26
Promotion	.49*	8.74	76.51	.43
Work Environment	.66*	10.62	112.81	.53

**p*<.05; Dependent*: Performance Appraisal*

Discussion

The primary objective of this study was to test the linkages between Recruitment and Selection, Decision Decentralization, Training and Development, Career Development, Promotion and Work Environment and Performance Appraisal. The study gained support for all the hypotheses suggesting a significant positive relation between the predictors and outcome variable. Hypothesis 1 was supported, suggesting a positive relation between recruitment and selection and performance appraisal. This was consistent with a study by Ichniowski and Shaw (1999) where they reported an effective practice of recruiting and selection was associated with performance appraisal of employees. Another study indicated that right recruitment and selection had a positive impact on effective performance appraisal (Arthur, 1994; Huselid et. al., 1997). The research confirmed a significant positive relationship between decision decentralization and performance appraisal. Past research asserted that decentralization while making decision had increased the efficiency and effectiveness of human resource practices and public administration in general (Oswick & Grant, 1996), thus supported hypothesis 2.

Hypothesis 3 was supported by the results. Research from the area of strategic human resources strived to link investment in human capital through various interventions, including training to broader organizational outcomes such as a firm's financial performance and shareholder value (Pfau & Cohen, 2003). Training could improve performance in terms of increased sales and productivity, enhanced quality and market share, reduced turnover, absence and conflict (Salas & Cannon-Bowers, 2000). The research indicated significant positive relationship between career development and effective performance appraisal.

Employees increase their effort and commitment to the attainment of organizational goals because they wish to gain access to valuable career development opportunities that are on offer (Kraimer et al., 2011). Crawford (2004) further suggested that career development was related to performance appraisal. The research confirmed a significant positive relationship between work environment and effective performance appraisal. This was consistent with a study reported by Talukder (2014) with ten manufacturing firms in Bangladesh. The working environment affects company performance (Dul & Neumann, 2009) whereas performance appraisal is one of the substantial components of human resource practices.

Limitations

The present study is not beyond limitations. The study was limited to a single firm which limits the ability to generalize to other work settings, industry sectors, or national or cultural contexts. The sample size was very small (n=100) making it impossible to make valid generalizations to larger populations. The location of the fieldwork may also have posed a threat to internal validity because respondents were asked about their feelings around a variety of work related issues, and were asked to undertaken the survey while also at work. As such, they may not have answered completely truthfully on some items, or not responded at all, especially if they felt their responses could affect them or their job in a negative way. Another limitation of the study was not being used traditional and global measures of performance appraisals rather used modified instruments which might raise questions regarding validity of the data being collected. Furthermore, the study employed the use of convenience sampling, which cannot be considered representative of the population. Sometimes it is possible to show that the sample is very similar to the intended population in certain ways. In this case, the researcher can argue that the sample is representative". Another limitation is the reliance on self-reported questionnaire data, which causes concerns about possible mono-method bias and percept-percept inflated measures. Further empirical and/or mixed methods study with large sample size in service industries could give significant directions to the researchers on the ways to make performance appraisal effective.

Conclusion

Organizational success is largely determined by how successfully employee talent is identified, developed and deployed in critical positions. Performance appraisal is a way towards achieving it. Performance appraisal is essential for the effective management and evaluation of staff. Appraisals help develop individuals, improve organizational performance, and feed into business planning. Strategically it is hard to imagine a more important human resource management system than performance appraisal. However, the Airlines Company can strive to do the following at all levels: 1) design jobs and work systems to accomplish organizational goals, 2) hire individuals with the desire and abilities to perform effectively and 3) train, motivate and reward employees for performance and productivity. It is this sequence that allows organizations to disperse their strategic goals throughout the organization. Within this context the evaluation of performance is a controlled mechanism that provides not only feedback to individuals but also an assessment of how things are progressing. Without performance information managers of an organization can only guess whether employees are working toward the right goals, in the correct way and to the desired standard.

One of the most important activities of human resource management personnel is maintaining and enhancing the productivity of the workforce. After all, the efforts and costs involved in recruiting and selection process, it is important to develop employees so that they can use their fullest capabilities. In that light, appreciating the capabilities are also important. More importantly, an employee would only be motivated to work in a positive environment.

The present study suggests that the Airlines Companies in order to maintain a positive working environment and enhance its promotion policies to open new paths for the employees to obtain success. In future, the only successful Airline Company would be those that are able to make their employees feel worthy through effective and fair performance appraisal. The firm must understand the importance of performance appraisal and the variables affecting it to fulfill organizational goals as was the main goal of the present study. Employee perceptions (e.g., Airlines) towards performance appraisals are a crucial element in determining the long-term effectiveness of the system. If employees are unhappy with appraisals they will not see the added value. This in turn could lead to larger organizational behavioral implications of low morale and productivity, higher rates of absenteeism and tardiness, inevitably, employee turnover. To conclude, tapping into the employee's mind and revealing how they think about appraisals could open up new insights to gear up the performance of any organization.

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ARTICLE

Organizational Transformation: Creating the Enabling Environment through Temporary Disconnect

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Abstract

Organizations need to transform to respond to the changes in their operating environment. Despite the awareness that change is the essence of life, humans find it rather elusive to manage it effectively. Most changes are not events but processes, and involve three-stages - Undo, Usher and Consolidate or U2C. Undo the existing order, usher in the new one and, finally, consolidate it. Proper management is required in all three stages. Our understanding of his nature leads us to conclude that a successful change demands a complex handling of environment. Temporary disconnect from the existing order will help in all three stages. It will not only aid in repealing the existing order but will also make the people pliable and ready to accept change. Simultaneously, within the system the new order is introduced together with a control group of role models, to help consolidate the change. Staying connected with external reinforcing influences during the process is bound to tamper change and cause disappointments.

Introduction

"He who rejects change is the architect of decay. The only human institution which rejects progress is the cemetery". Change is the essence of life. There is talk of change all around. We are constantly exposed to it and witness it in our surroundings. Moving from one place to another the landscape changescontinuously presenting us with myriad scenes – lush green fields to dry, barren lands, forests to deserts, mountains to oceans and rivers - some passable others not, but all amazing, wonderful and majestic. We witness changes within ourselves, as well. The physical change in our appearance over the years is such that even our best and closest friends and family members would find it very difficult to recognize us in our photographs taken when we were infants. Change has many dimensions and one of the important ones is related to progress. When we talk of progress we are basicallytalking of change. Human societies are constantly in a flux undergoing change and transforming themselves as superior knowledge, better technology and greater sophistication enters our lives and comes within our reach and grasp. From our pre-historic, stone age days dwelling in caves to the present times we have made tremendous progress. That surely implies colossal change. As they say, the only constant in our lives on earth is change. We live with change. Given this fact, we should have been by now most adept at handling and managing change or transformation of any type. Yet, in reality, it is not so. We find ourselves in a quandary when it comes to managing transformations successfully and effectively. It is not due to any lack of interest in the subject. In fact, much effort has been spent to come to grips with it especially since the 1970s and many theories and concepts have been introduced. All of them apparently very convincing, thought provoking and effective to a great extent, but doubt still lingers regarding their complete efficacy. Total satisfaction eludes us anduncertainty pervades for none has proven to be outright or unqualified success.

Note: This is an extended version of the research paper "Temporary Disconnect: Creating the Right Environment for Managing Transformation", presented at ELLTA 2012, Langkawi, Malaysia, where only its abstract was published in the conference program/proceedings.

Why is it so? Basically, it is not the concepts and theories that are so much to blame. The shortcoming lies in flawed management of the environment for these concepts and theories to properly take effect. To be sure environment is considered an important ingredient for change and is given due recognition as a positive source of cultural capital for modifying behavior. But a lack of it, as shown by B in Fig 1, has also to be considered. This, unfortunately, has not been the case; a break from environment, comprising nothing but a void – isolation, if you will - could also be of advantagei.e. something positive. When considering an environment for change both aspects have to be taken into account. This is illustrated in Fig: 1 as environments A and B. Environment A is useful in reinforcing the existing behavior. However, the environment B is for enabling change. A disconnect from the external environment A is required to act as a buffer so that it does not adversely affect, interfere or influence the desired change.

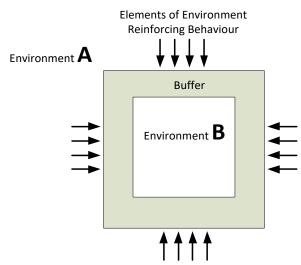

Fig-1: The Two Perspective of Environment

This environment B is characterized by absence of influencing factors present in A. It is created by disconnecting from A. This is a transient phenomenon. It is maintained only for so long as is deemed essential. Hence the concept of temporary disconnect, which we consider absolutely necessary for effectively implementing a successful and planed change or transformation.

The idea is to create an enabling environment for change without this environment itself actually getting involved or influencing the process. The importance and role of this change enabling environment may be understood through an example from the physical world: many chemical reactions take place spontaneously in normal room conditions but many others require presence of a special environment to react. These usually relate to specific temperatures and/or pressures. Yet some others may even require a suitable catalyst for a reaction to occur. Thus, these environmental features do not participate per sebut still they are essential, as no reaction will take place in their absence.

Changing a human society is not an event but a process and three stages are involved. First stage is to undo the old order, second is to usher in and introduce the new one, and, third, is to consolidate it: Undo, Usher and Consolidate or U2C.However, to be effective the process of transformation also requires a right change enabling environment as a catalyst throughout the process as shown in Fig -1. In our opinion repealing the existing order and making the people pliable and ready to accept the desired change essentially requires a temporary disconnect from the existing reinforcing environment. For consolidation of the change, continued disconnect has to be maintained to ward off extraneous distractions. Simultaneously, all supportive instruments to fix the change in place have to be applied. This has to be done within the change enabling environment before exposing people back to the environment they came from.

In this paper we would delve into the concept of temporary disconnect and show how powerful a tool it is. No transformation process can be meaningful and long lasting without it. Lack of disconnect has been instrumental in failure of many endeavours to bring about a successful change. We would also amplify the conceptual framework of U2C that we consider would be effective in this regard.

The paper begins with arguing the importance of human focus in any change. It is followed by a discussion on nature of humans. Next, managing humans for change is elaborated upon. Resistance and obstacles to change are discussed in the subsequent section followed by the section on the process of change. Finally, the paper concludes with a discussion including future research direction.

Man - The Central Figure

When we talk about change it is generally understood to imply change in policy or strategy. However, it must be borne in mind that man is the central figure in any change or transformation even if it is clearly a policy change. Starting from the authors of the policy to the owners, managers and leaders responsible forimplementing it, government officials and regulators responsible for oversight, to workers, labourers, suppliers, clients and competitors are all humans. Man is, therefore, the cardinal entity for any change and his instincts and gut feelings have to be taken into account:

> Society is founded not on the ideals but on the nature of man, and the constitution of man rewrites the constitutions of states. Events take place through him as well as around him; his ideas and decisions enter vitally into the course of history (Durant & Durant, 1968a)… only the imagination and initiative of leaders, and the hardy industry of followers, can transform the possibilities into fact; and only a similar combination can make a culture take form over a thousand natural obstacles. Man, not the earth, makes civilization (Durant & Durant, 1968b).

In recent times, greater realization that man is the central figure has been recognized and many strategies have been devised keeping this fact in mind. Solutions to problems have taken a 'cultural turn' directing attention towards 'soft', cultural and humanistic aspects of organization for business success (Hughes & Reed, 1992 as cited in Collins, 1996). The shift in emphasis from old transactional leadership and behavioural compliance to the new transformational leadership and the release of organizational talent bears witness to this recognition. Transactional leadership is a process in which the relationship, leader–follower, is reduced to a simple exchange of a certain quantity of work for an adequate price. Contrary to this, transformational leadership is a far more complex process, and includes the 'inner', qualitative, or mental aspects (Simić, 1998). It talks of visionary and inspiring qualities in leaders demonstrating high moral and ethical behaviour. An ability to motivate his followers individually, appreciate and evaluate their attitudes, opinions and contributions; and anability to influence, teach, direct and correct people are all considered essential (Simić, 1998). These are very challenging and difficult qualities to be found or developed in a human. Now things as teams, empowerment, leadership and cultural management are stressed (Elger& Smith, 1994cited in Collins, 1996). It has also been realized that the skills and attitudes of workers count for more than the technological elegance of an information system when discussing technological change and innovation (Hopper, 1990 cited in Collins, 1996). Thus it can be seen that this realization along with emphasis on softer aspects of leadership, have modified even the language of management.

Nature of Man

It has been noted with much concern that the results in bringing about change have not been very encouraging. Current literature on transformational change efforts in organizations point to a high rate of failures (Henderson, 2002; Beer & Nitin Nohria, 2000). To understand the problem, we need to look at man in more detail. Human nature is not easy to get to grips with. Nonetheless, it is pertinent to recognize the complexities even if we have not been able to resolve these issues. It is a complex combination of instincts, habits and feelings. 'Each instinct generates habits and is accompanied by feelings. Their totality is human nature' (Durant & Durant, 1968a). It is compounded by two strange characteristics: the duality of human nature, and the extraordinary capability of the mind. Some four hundred years ago, Descartes (2010) realized that human nature consisted of a duality. This duality comprises of soul and body which are poles apart. We could call it an 'angel-animal' duality because of the two opposing natures that the two command. One as sublime as an angel the other as lowly as an animal. Every person's desires, demands and expectations will vary depending upon his position on this 'angel-animal' scale, which is difficult to gauge. The uncertainty is accentuated because man has the ability to switch from one end to other along the scale – from being very good to being very bad - literally in a twinkling of an eye.

Another familiar feature of humans is the senses. Mother Nature has endowed us with five senses but oddly enough, they are asymmetric. They are biased towards the needs of the body while the needs of the soul are ignored unless an individual makes a conscious effort. However, the problem is we least understand soul, let alone its needs. It is abstract in nature and pertains to the realm of the mysterious and unseen, hence unknowable in the classical sense of science. The body, in contrast, is concrete, visible and the main focus of life on earth. Foremost concern of life is its safety andpreservation. When it comes to the use of senses, therefore, it is sensible to give preference to body over the soul which has no such safety concerns: It may be argued that the body experiences death but the soul does not. The situation may be compared to passengers travelling in an aeroplane. Like the soul, passengers are more important. It is for their convenience that the airlines arrange aeroplanes in the first place. But once seated inside the aeroplane the roles reverse. The enthralled passengers are reduced to secondary status. Safety of the aeroplane takes precedence, and remains so for the entire duration of the journey. In the ultimate analysis our soul may be more important but on earth body takes precedence. Thus, there is a sound logic for this unusual asymmetry in human nature.

Another peculiarity of human nature is its strange tendency to behave in a manner that reminds one of a gyroscope. A gyroscope is basically a spinning body that has two properties. First, it has rigidity in that it is reluctant to change its position in space. Second, it has precession in that when a force is applied to it the resultant movement is displaced by ninety degrees. Humans, too, display rigidity and show great reluctance to change. They also display precession but with a difference that when force is applied their resultant movement, unlike a gyro, is undetermined. Such an inexplicable behaviourresults from humans having an intelligent mind as diverse as people are themselves. 'Peter Senge argues that organizations are nonlinear dynamic systems in which there are many unintended consequences when direct linear action is taken' (Beer & Nohria, 2000). Sengehas quoted Forrester (1971) who calls this phenomenon: "the counter-intuitive nature of complex systems," arguing that human intuition consistently leads people to want to do virtually the opposite of what would really accomplish their aims' (Senge, 2000).

In recent times much progress has been made in artificial intelligence (AI) and a great number of machines and gadgets of everyday use are now incorporating computers with a built-in AI feature. Any body who has used such gadgets knows what a difference AI makes (and pain it causes when it misbehaves). But this AI is limited to the level of sophistication attained in technology and thegenius of its software programmers. When dealing with humans the factor of his intelligence (real intelligence at that, and uncannily varied) is generally overlooked. They are considered no better than homogeneous 'zombies' when devising programmes for them. Talking about early factory owners justifying their exploitation of poor labourers, Macpherson (cited in Gerhardt, 2010), 'pointed out that wage labourers were already of a very low status'.

Gerhard (2010) goes on to say that:

> To the employers, they were just 'hands', not respectable artisans or family men. They felt comfortable about hiring these least powerful members of the society at below subsistence price – an attitude similar to the later colonialists, or even to the current chief executives who have few qualms about using cut-price labour in the Philippines or Bombay to make their products cheaply. After all, they should be glad to have work – at any wage – goes the familiar argument then and now. All share an assumption that those who are least powerful are also less human. … Their humanity becomes relatively invisible and abstract. In early industrial capitalism, there was a sense that an employee was already a degraded person, so most employers did not concern themselves with his loss of personal initiative and autonomy.

A common example in our daily lives may be seen if we note our behaviour with 'low status' just 'hands' around, i.e. in the presence of servants, waiters and chauffeurs. We are inclined to ignore their 'intelligent' presence and consider them as robots with no mind of their own. We tend to have no qualms discussing even confidential matters in their presence. Probably we think they are deaf, too!

Thus we can see that attitudes have not changed much. Therefore, when dealing with human-centric systems we still face problems of uncertainty and failures.

Managing Man for Change

Henderson (2002) has categorized theories regarding bringing about change in man under two heads:

> ***Transformative Learning***, which focuses on how individuals change their perspectives, primarily through the process of critical reflection, and ***Transformational Change***, which has organizational change as its primary focus. [It] finds its origins in the social sciences, which examine the effect of social influences that are external to people.

These two relate to the internal and external aspects, respectively. It is similar to nature and nurture issue. For change, learning is a prerequisite. Learning is a complicated affair and includes both internal and external aspects. The external inputs are received in the mind through our senses. These are processed in the mind to result in a response which could either be spontaneous without much thought, or deliberate based on critical reflection. The critically reflected responses affect the inner personality, the soul, and result in the desired change. On the other hand, mind has the capacity to filter inputs. Based on its intelligence it can block out any information that it does not want to register. Thus, debate on transformative learning and transformational change may continue without ever getting a testable truth that satisfies the physical world of science. Therefore, taking cognizance of this fact, there is a need to move on to more applied side of change.

We now know the issues involved in dealing with humans are serious and require careful handling. It shows the extent of the problem we face in transforming human organizations and societies. It also attests to the reasons why so many very good theories, strategies and concepts lie dumped along the route to consistently achieving guaranteed, sure success. No matter how awkward or inconvenient these human traits may seem, they must be faced squarely. Neither denying them nor use of force would stand us in good stead. On the other hand, there would be no use trying to figure out the complex and elusive nature we have discussed above individually for each person. Any attempt to do so would invariably lead us to discussing spirituality, religion and metaphysics. It would only make us all very uncomfortable and land us in a confusing maze of unnecessary detail regarding each individual performance as humans are nothomogeneous.

Our goal in the paper is to suggest a mechanism to bring about a change in society. It is not to assess individuals. Thus getting unduly stuck in detail at the cost of looking at the bigger picture would not be of much help. Therefore, we would bypass the intricacies, and focus on mechanisms that would help us bring about the desired change in people. The importance of finding this larger general picture is further elaborated in the succeeding paragraphs.

This issue of focusing on larger picture or zooming in to a particular aspect crops up wherever humans are involved, irrespective of the field. A very interesting and sensible advice in this regard comes from the medical field of homeopathy. They divide a patient's symptoms under two heads: general, which applies to the patient as a whole, and particular, which refers to a particular part of the body affected. Emphasizing the importance of the general over the particular, Dr. Kent (2004), states in the preface of his book that, 'it should be understood that a circumstance that makes the whole being feel better or worse is of much greater importance than when the same circumstance only affects the painful part, and these are often quite opposite'.

Tyler and Weir (2002), amplify it further in much greater detail:

> And now, at last, you come to the PARTICULARS – the symptoms that bulk so largely for the patient, and for which he is as a matter of fact, actually consulting you. You will have taken them down ***first*** … but you will consider them ***last***. …***because they are not general to the patient as a living whole, but onlyparticulars to some part of him***. In a great railway system, for instance, a strike that raises the price of fuel for a few weeks, an accident on the line that means compensation to the injured, and replacement of rolling stock, and repair of a few yards of permanent way, are less vital to the Company than the brain quality of its General Manager, or the force, competence and activity of the Chairman and the Board of Directors. Make the executive of the Company efficient and it will deal in the best way with details. … Start for the Particulars, and see where they land you! In the body politic, where the executive is not sound, you deal with lax discipline here, with peculation there, with incompetence, and disorder, and slackness, and inefficiency. There is rottenness at the core; and you will find that as fast as you clear up one mess, the system breaks down at a new part. Go for the Management; put that right; and ***let it act***. … Never juggle with "Particulars" at the expense of the life of the whole.

Impact of Environment

Research in the field of genetics is revealing that genes involved in social behavior do not turn on or off by themselves but are affected by environmental conditions. Recent epigenetic studies discussed in Moalem & Prince (2007) and Gerhard (2010) show that factors like the food we eat or the cigarettes we smoke can trigger them into activity. Psychiatrist Michael Rutter (Rutter, 2006 cited in Gerhard 2010) argues that genes play their part in complex reciprocal interactions with the environment. What it means is that although the genes are present in the DNA but they may be turned on or off depending on the environment around the mother. It has been shown that certain compounds can attach themselves to specific genes and suppress their expression. These compounds act like genetic light switch, essentially turning off the genes they attach to. This process of genetic suppression is called DNA methylation. Methylation occurs when a compound called a methyl group binds to a gene and changes the way that gene expresses itself, without actually changing the DNA. (Moalem & Prince, 2007; Rutter, 2006 cited in Gerhard 2010).

Prominent evolutionary thinkers Eldredge and Gould (1972) advanced the theory of punctuated equilibrium which states that evolution was characterized by a state of general equilibrium punctuated by periods of significant change brought about by large environmental shifts. Environment is capable of triggering massive changes in humans (Moalem & Prince, 2007). These changes wrought by environment are deep seated, affecting the very genetic make up of humans. The research is in its infancy and still ongoing but provides evidence of the power of environment to conveniently and effectively manage change in people. It does that without getting involved in the complex issues of human nature. Therefore, we consider managing the environment is a better way of effectively bringing about a desired change. Probably it is the only way to do so.

Power of Isolation

By nature, humans are social animals and find themselves very uncomfortable when they are alone. It creates considerable alarm, and can therefore, be used as an effective instrument to exert influence. Throughout history it has been used for many purposes and is still in vogue, testifying to its efficacy. In popular view it has a very negative connotation, implying punishment. Mere mention of it is enough to cause concern. Putting criminals behind bars in a prison, or, worse, solitary confinement, imposing sanctions on countries, layingsiege to a city during war or blockading its seaports, and no fly zones can all be categorized under this head. Declaring someone as an outcast, or banishing him from the country is to the same effect. Isolation is also used on many other occasions and for a variety of purposes. Blocking roads and holding people back during VIP movements, designating red zones and restricted areas in cities where normal entry is barred, use of high walls, razor and barbed wires, placing of obstacles around important buildings and sites, and use of guards, sentries and escorts are all examples of isolation. Its use as a protective measure is also evident in such activities. Use of identification papers, permits, passports and other such documents and devices help in proving bonafides. It leads to creating privileged classes and for discriminating amongst people. Following an act of crime, the area is put in lockdown mode and the scene is cordoned off. Normal access is denied as the concerned authorities go about collecting evidence and trying to nab the criminals. Thus its use in fighting crime and conducting investigations is well established.

In sickness we end up with a running fever which not only makes us dull and lethargic but also causes our body to ache and pain. Feverishness then forces the patient to withdraw from all activities, isolating himself and taking time off to rest. This gives the body a chance to set the healing process in motion. Disconnecting patients from the healthy humans has been regularly applied in medical care successfully in the shape of isolation wards, quarantines and intensive care units. Therefore, we can say that isolation is a well-established natural phenomenon to help change.

In March 1997, thirty-nine members of a communal religious group, called Heaven's Gate, carried out a mass suicide at the approach of comet Hale-Bopp. Almost two decades earlier another mass suicide at Jim Jones's 'Peoples Temple' at Jonestown, Guyana, claimed over nine hundred lives. These are shocking stories about horrible activities that take place within the cults. But they speak volumes about the power and effectiveness of disconnect, and its ability to change normal human behaviour to such an extent that they are willing to even sacrifice their lives. The single most glaring characteristic of fringe groups and extremist organizations who create cults is that they live in communities isolated from society.

Probably suicide bombers are also processed in a similar manner. Their precursors, the Japanese Kamikaze suicide pilots of World War II, were a whole lot more sophisticated. Their segregation was full of great symbolism:

> From the beginning Admiral Onishi had the presence of mind to create decorative and symbolic trappings for the sacrificial fliers…. They were, he had told the first unit, already gods, and should have no further interest

> in human affairs…. On completion of their missions, their spirits would fly to the Yasukani shrine near the Imperial Palace in Tokyo, and there would be enshrined forever; all Japan would come to pay them homage…. The admiral handed over special bottles of water, from which the Kamikaze pilots were to take a final drink…. 'hachimaki' became another symbol of the suicide corps…. In the days of the samurai a warrior who tied a white towel around his head signified that he was preparing to fight to the death…. (it was) decorated with poetic calligraphy, most of it mystical in nature…. The admiral promised them that he personally would make sure that their brave deeds were made known to the Emperor (Hoyt, 1983).

Even Military establishments believe in segregated enclaves and depend much on symbolism. Cloistered in their cantonments it is amazing to see how quickly a bunch of young, disorderly civilian kids transform into fighting soldiers at their academies. Secluded and living in a world of their own, these civilians first turn into soldiers and then their loyalty and discipline is consolidated to an extent that they are able to face all odds, even to the peril of their lives. Their uniforms, intricate range of ceremonial dresses, ribbons, medals, emblems and insignias, rank structures and badges, coat of arms, elaborate ceremonial drills, parades and marches in step with the beat of the drums, military bands in attendance and much fanfare, fluttering flags and ensigns are, indeed a treat to watch. They must surely stiffen a few spines amongst the participants even if they are not aware that these are meant to create and sustain changed human behavior.

The British were heavily out numbered in the Subcontinent during their colonial rule. Allen (2001) mentions the use of pompous title 'The Honorable Company' orits local interpretation *'Kampani Bahadur'* that the East India Company liked itself to be referred by, and employing the pretentious term *'LatSaheb' ('Lord and Master')* for its leader. Young British officers newly arriving in the Subcontinent were groomed o become rulers. After landing in India, they were kept secluded at Bombay for a while to unlearn the norms of social life they were used to back home in Britain. They were taught to live without unduly mixing with the natives. This was done to establish an aura of outright superiority, invincibility and infallibility over the natives. Thus they could rule effectively.

If you look at the examples enumerated above a striking feature of isolation common to all is that they have a very negative and an unsavory connotation about them. They are considered an extreme and a revolutionary step. Any thought of isolating ourselves voluntarily under normal circumstances is simply rejected out of hand. It creates fear in our minds. We are spending huge amounts of resources and energy in painstaking efforts to detect if life of any sort exists anywhere in the vastness of space. The thought that we are all alone in this universe causes us discomfort. However, it must be realized that changes to human behaviour, whether normal or otherwise, are all revolutionary in nature and demand very serious considerations right from the outset. The question arises that if so much is known regarding the efficacy and influence of isolation in changing behaviour, why is it not considered for inclusion in the strategies on offer? In our opinion, this is a major flaw in these strategies.

Role of Role-Model

A path breaking research regarding important human characteristics was conducted by Lawrence and Nohria (2002) of Harvard Business School. They concluded that the way we act is the result of a deliberate internal battle constantly raging among our four innate, subconscious brain-based drives. They claim these drives are to **acquire**, to **bond**, to **learn** and to **defend**. In a state of isolation, cut off from friends and families, there is not much to acquire, bond or defend. The only drive that remains in the circumstance is to learn.

An interesting incident involving a group of fifteen monkeys occurred at the world's leading primate research centre at Kyoto, Japan. These monkeys were kept in their forest home secluded by a five meter high electric fence. They flung themselves over the fence to escape using the branches of trees as catapult by bending and releasing them. Having escaped, they did not know what to do next. They hung around and were lured back in with peanuts (Demetriou, 2010). Despite their isolated environment the monkeys demonstrated that their drive to learn had not diminished. If anything it had enhanced. However, their other drives seem to have suffered a decrease. Thus we believe that although the incident occurred with primates, the effect of isolation on human drives would not be different.

In a Halloween study, researchers instructed visiting trick-or-treaters to take only one item from a candy bowl placed inside a house. Eighty three percent took extra candy when the first kid in the group did likewise. This percentage reduced to only eight when the kids arrived alone with nobody to set a bad example (Diener, Fraser, Beaman, et al., 1976 as cited in Sommers, 2011). There is a marked difference in our behaviour when alone as compared to when we are in company. Similarly, a very interesting 'line judging' study was first conducted by a Swarthmore College psychologist Solomon Asch (1955). He presented a diagram of three lines of differing lengths and asked the subjects to choose one amongst them that matched exactly with a separate solitary line. When asked individually, there was no problem in getting the right answer. However, in the company of others it was a different matter. Asch arranged actors to be 'the others' and coached each of them to unanimously give wrong answers. In their presence, seventy five percent of the participants went along with the wrong answer at least once. The reason is that 'being wrong is easier than breaking rank'(Sommers, 2011).People submit uncritically and painlessly to external manipulation. Any given idea or value can be 'sold' or 'unsold'. It was also discovered that 'the presence of a supporting partner depleted the majority of much of its power (to influence)… reducing it to one-fourth. …With his support the subject usually resisted pressure from the majority'(Asch, 1955).

Thus, there is also a strong urge toward social conformity influencing our actions. We would rather go against our best judgement than go against the consensus view of the group we are with.

'You can create new norms by modeling the very actions you hope to see in others. Recruit friends to populate a long line outside your restaurant, club or gallery opening'(Sommers, 2011). One of the students of Sommers reported another example of such modeling:

> My colleague was getting frustrated because she had sent several e-mails explaining how to fill out the two relatively simple forms, and no one could manage to complete them correctly. We decided to try taping up sample filled-in forms and ever since, we haven't had a problem (Sommers, 2011).

Thus, presence of others provides us both mutual support and role models and any given idea can then be 'painlessly sold'.

Conversely, when we like a person to give up his habit, we need to generate an opposite effect. Instead of creating conformity, we are interested in curtailing it so that the change is easily accepted. Ideas entrenched in a person's mind need to be deleted or 'unsold'. 'Reverse engineer these situations in the direction of independence. Anything you can do to emphasize individual identity has the potential to reduce conformity' (Sommers, 2011).

In the line judging study when a supporting partner 'deserted' the subject as coached, Asch (1955) was surprised to:

> Find that the experience of having had a partner and of having braved the majority opposition with him had failed to strengthen the individuals'

> independence. As long as the subject had anyone on his side, he was invariably independent, but as soon as he found himself alone, the tendency to conform to the majority rose abruptly.

Therefore, whether the purpose is to introduce a new idea or to delete an old one, a suitable environment needs to be provided. However, the environment in the two situations would be different and quite the opposite of each other. When the purpose is to instill an idea, an environment of support from partners has to be developed and maintained together with providing dedicated role models. Failure to maintain this favorable supportive pressure could weaken the resolve.

Therefore, the favorable support needs to be maintained for as long as it is necessary for it to be ingrained firmly in the very soul of the person's conscience, and his commitment to the cause is consolidated. On the contrary, as we saw in the Halloween study, kids arriving solo were the most likely to follow the given instructions, suppressing their urge to steal candy. Thus, if the purpose is to delete an idea, an environment devoid of support has to be created.

In other words, when discussing change, we are faced with two environments. One exists within the system or organization and needs to be actively controlled in order to bring about a change. There is another environment of concern which exists outside the system. So far our discussion has centered on environment within the system. As for the environment outside, it must stay disconnected to obviate any chance of extraneous forces adversely influencing the desired change outcome.

Transformation can be compared to changing gear while driving a motor vehicle. In order to do so it is necessary to press the clutch, this effectively, though temporarily, disconnects the wheels from the engine. It is just not possible to change gear while the engine remains connected to the wheels. If a computer hangs or misbehaves, the manufacturers provide it with a reset button to return it to its default values. If there is a reset button for humans it has to be this disabling environment cutting him off from any support to reinforce and maintain his posture.

Resistance and Obstacles to Change

Managing change is a challenging task because of the resistance that can be encountered. To start with, as we have discussed above, there is a natural reluctance to change. There will also be resistance from those who are liable to lose out as a result of change. If a restructuring or downsizing is contemplated, those likely to be made redundant might instigate the remaining staff to oppose the change or approach external agencies having influence. There may be those who are scared of the change due to any number of reasons. It could be due to the fear of the unknown or due to reluctance of putting in extra effort. It could even be due to their perception that the change would bring about a certain amount of hardship with it. Another group resisting change comprises those who have stakes in the status quo. They may be enjoying many benefits from the system, and, as a consequence would probably have gained much power, wealth and influence. They pose a considerable challenge to change especially if it has even the slightest chance of affecting their status. Direct confrontation with the forces of status quo could very easily undo the whole process. Change is generally deemed as encroaching upon freedom, comfort or demanding extra effort, even if it is not really so.

External interference is another obstacle to desired change. It could be in the form of political pressure being exerted on behalf of those likely to lose out due to the change. Unscrupulous elements within the regulator authority could also pose problems either on their own or in collusion with competitors. Globalization is a popular byword these days. Much meddling could be caused in its name. It could pose serious problems. It may be noted that:

> Every Great Group is an island – but an island with a bridge to the mainland…. People who are trying to change the world need to be isolated from it, free from its distractions, but still able to tap its resources (Bennis & Biederman, 1996).

Therefore, whatever the nature of interference, it is absolutely necessary to keep it at bay to ensure effective change.

The Process of Change

Change is challenging and usually calls for a radical departure from the past. New ways of thinking, working, and acting have to be learnt and old ways have to be unlearnt.

> As long as the deep structure is intact, it generates a strong inertia, first to prevent the system from generating alternatives outside its own boundaries, then to pull any deviations that do occur back into line. According to this logic, the deep structure must first be dismantled, leaving the system temporarily disorganized, in order for any fundamental changes to be accomplished. Next, a subset of the system's old pieces, along with some new pieces, can be put back together into a new configuration, which operates according to a new set of rules (Gersick, 1991).

Keeping all the lessons in mind we consider creating a change is a three stage process: Undo, Usher and Consolidate or U2C. Undo the existing order, usher in the new one and, finally, consolidate it. The steps for bringing about a change are straight forward, but they require a catalyst in the form of the right change enabling environment.

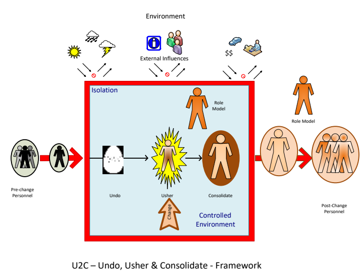

Fig-2: The U2C Framework

First of all the system must be isolated to create a disconnect from all external forces liable to cause interference as shown in Fig -2. This disconnect, though temporary in nature, must be maintained during the change process and for as long as it is deemed necessary. We now have an isolated system that should help in undoing the entrenched order. We know from the study of the Halloween kids that an isolated person, devoid of any support, is most likely to follow any instructions that are given. In our case it will make the system pliable and ready to accept change.

In the next stage, we need to introduce and usher in the new order. All possible and available means at the disposal of the organization must be utilized to clearly disseminate the new instructions amongst the people. We know that in an isolated environment the drive to learn is not only active but also enhanced. Under the circumstances assimilation of new rules, regulations, orders and procedures would be facilitated. Simultaneously, the third stage of consolidation would be initiated in the form of role models, actively participating and practically showing how the changed order is to be implemented. We know from the study of Asch's lines the powerful impact of a partner. These role models would satisfy that need for support and provide the necessary reinforcement for the purposes of consolidation.

It should be noted that there are many ways of creating isolation. It can be physical, intellectual or emotional. Another point to note is that while a disconnect is maintained with the external world, within the system total mutual trust and support is provided to reinforce and consolidate the change. With the enclosed system all the four human drives would then start to function normally. Together with the drive to learn, the other three drives to acquire, bond and defend would be activated to promote a healthy gelling of change.

Discussion

Change is the essence of life but it is not easy to get to grips with it because of human nature. In order to effect a change, we need to understand the critical role of environment. A temporary disconnect is considered necessary to create the right environment for managing change or transformation. Change is a three stage process consisting of undoing the old order, ushering in the new one and then consolidating it. However, certain pitfalls exist and must be catered for. Strategies on offer for change do take human factor into consideration but the emphasis is on academics, consultants and practitioners. Workers and labourers are given scant regard. This asymmetry needs to be addressed. Another issue pertains to judging success of a change. It appears that greater importance is placed on shareholder value than on the sustained strength of the enterprise. Under the circumstances it would be difficult to motivate the workers to give their full commitment knowing that the benefit will accrue to the outsider shareholder and not so much to the company workers. True, the management with stock options also stands to gain but the workers would generally be outside the loop for they are not much into stock market because of their pecuniary disadvantage. It will cause disconnect within the system between the labour and the leader. With stock price in mind the leaders would stay connected to the outside and disconnect within. Just the opposite of what we consider essential for success. This paper discusses how to bring about a successful change. It was taken for granted that change being initiated is good for the company. However, this is not always the case. Many changes are made where they are really not needed. Durant cautions in The Lessons of History:

> Out of every hundred new ideas ninety-nine or more will probably be inferior to the traditional responses which they propose to replace. No one man, however brilliant or well-informed, can come in one lifetime to such fullness of understanding as to safely judge and dismiss the customs or institutions of his society, for these are the wisdom of generations after centuries of experiment in the laboratory of history. So the conservative who resists change is as valuable as the radical who proposes it – perhaps as much more valuable as roots are more vital than grafts. It is good that new ideas should be heard, for the sake of the few that can be used; but it is also good that new ideas should be compelled to go through the mill of objection, opposition, and contumely; this is the trial heat which innovations must survive before being allowed to enter the human race (Durant & Durant, 1968a).

What it means is that there is a need to research more about what changes are really needed before rushing into the venture.

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Note

[1]- By **James Harold Wilson,** (11 March1916 – 24 May1995), Prime Minister of the United Kingdom from 1964 to 1970, and again from 1974 to 1976. Speech to the

Consultative Assembly of the Council of Europe, Strasbourg, France (January 23, 1967); reported in *The New York Times* (January 24, 1967), 12

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ARTICLE

The Prevalent and Persistent Virtues of Autocratic Leadership in the Corporate Sector: An Analysis

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Nineteenth-century critics ascertained that there were three major modes of leadership: autocratic, democratic, and laissez-faire. These had their origins in the background of leaders and the structures of power within which they were compelled to operate. Although autocratic leadership was a mode normally associated with the military, many corporate leaders of the early twentieth century (tycoons and company heads alike) were seen to employ this form of governance to varying degrees of effect. According to Simon Restubog, “historical observation suggests that as countries moved from nomadic hunting and gathering to settling in towns and producing food, environmental complexity was reduced and a more directive leadership emerged” (p. 113). While it has now become academically somewhat unfashionable to dwell on the virtues of directive and autocratic modes of governance, this article will demonstrate that within the major corporate sectors of today’s business world, several diverse modes of leadership continue to retain a legitimate and strong kernel of autocracy. In his text titled *Corporate Leadership*, the Indian business academic Manoj Bhatt pays homage to the concept of autocratic leadership, and states categorically that “autocratic management has been successful as it provides strong motivation to the manager, [and permits] quick decision making” (p. 10). The following theories and assumptions will draw on research that reflects the varying roles played by factors such as directive leadership and even corporate social responsibility in shaping autocratic leadership practices. Indeed, it can be persuasively argued that since autocracy is the mode that takes over in times of pressure and crisis, it remains the most pervasive leadership practice for highly competitive business arenas. As with most socially dynamic disciplines, it becomes notoriously difficult to discuss terms such as “leadership” in a vacuum, especially since such concepts are infused with the weight of ever-changing management issues, institutional histories, and corporate practices.

Moreover, one consistently needs to keep in mind that leadership varies substantially across not just terrains of time, but actual geographical areas, i.e. the type of leadership that may have been acceptable during the British Raj in India cannot be applied to the day-to-day running of Google. While this may appear to be a valid point stemming from common sense, it does not detract from the fact that the study of leadership practice and leadership theory is a vital aspect of the comprehension and appreciation of how bosses control organizations. Michael Feiner who served extensively as the Chief People Officer of PepsiCola worldwide has recently written a book adroitly titled *The Feiner Points of Leadership* (a pun on his name), where he comes up with fifty corporate principles based on his experience. Feiner often underscores what he perceives to be the differences between being a leader and being a manager, but regardless of the subtle nuances of such contrasts, he states bluntly that: “By far the most common complaints in organizational life—from new managers, from seasoned executives, and from everyone else in between—concern working for bad bosses. The frustrations of working for a bad boss figure prominently in the complaints that I hear from the subordinates of my consulting clients, and in the reasons my MBA students give for returning to school, just as they did in the lives of many people who sought my counsel at Pepsi” (p. 73). In many cases strong-willed subordinates react to, and sometimes rebel against, autocratic and authoritative bosses; however, it might be fair-mindedly added that those are the ones who generally obtain results while less firm 'leaders' often prove to be bad bosses because they are simply not moving the work along.

As I noted earlier, over the course of the past century, numerous styles and modes of leadership have been identified and analyzed. From a corporate and management perspective, these generally fall into three main categories—autocratic, democratic and laissez-faire (which roughly translates from French into "hands off"). Autocratic leadership has been diversely but cohesively defined as "self-centered leadership and unilateral decision-making" or "domineering, egoistic [and] non-egalitarian" in nature (Restubog, p. 114). Jan Muczyk and Bernard Reimann stipulate that: "Autocratic leaders take the position that they are paid to make key decisions and the subordinates are compensated for executing those decisions. Thus subordinates are not involved in decision making under pure autocratic leadership" (p. 303). Democratic leadership more obviously factors the input of subordinates into decision-making, and laissez-faire leaders virtually never intervene in sorting out matters until they come to a crisis, in which case many of them are compelled to adopt a temporarily autocratic mode in order to solve problems. In competitive and pressured business sectors leadership may change from generation to generation. For instance, Henry Ford was a far more authoritative and autocratic leader than his successors: the latter had little choice but to relax the formerly autocratic policies of the founder's company partly due to greater international outreach and competition faced by Ford Motors. Nevertheless, this does not automatically equate with a glib truism that democratic leadership (whether it be corporate or gubernatorial) is preferable to autocratic. While commenting on the general nature of comparative governance Peter Burnell shrewdly argues that "claims about the absolute appeal of democracy and reference to widespread recognition of the imperative to clothe claims to political authority in language reminiscent of democracy, however bogus or strained, should not lead us to ignore the alternatives that continue to bestow some stability on autocratic regimes" (p. 548). Reinforcing Burnell's realistic assumption is the point that "unbridled enthusiasm for democracy and individual autonomy that pervades the very fiber of our society seems to have blinded many scholars and practitioners to the fact that few organizations can really achieve this ideal state in the workplace" (Muczyk and Reimann p. 309). Playing devil's advocate though, one can intrepidly assert that democracy may stem from a very valid sense of human idealism, and more Machiavellian democratic leaders may cultivate an *illusion* of autonomy within their subordinates. However, there is no arguing that the workplace, especially the *corporate* workplace is all too often bound by professional strictures and conventions that conflict with idealism to the point where the quality of work, mission, and inherent values of a business may become compromised—an utterly undesirable, and often financially detrimental, state of affairs.

In an interesting study carried out as far back as 1965 (but which is still relevant today), James Mullen conducted surveys of the contrastive management and leadership practices of three different division managers (A, B, and C) in a top US insurance company. Instead of labeling them autocratic, democratic and laissez-faire however, he chooses the terms "authoritarian, permissive and recessive." Within the precincts of the article although Mullen does not define this change of term as emerging from any specific motivation, it is significant that Mullen's choice of words implicitly, but unmistakably, shifts the linguistic weight of these terms from the realm of governance to that of business, i.e. from the generally gubernatorial to the corporate. In aggregate he did not perceive major differences in output and efficiency between the three managers, but insofar as how they were regarded by senior management his surmise is very telling. He notes: "The three superiors—a regional vice president and two deputy vice presidents—clearly and unequivocally stated their preference for Manager C, the authoritarian leader" over and above Manager A (the permissive leader) and Manager B (the recessive leader) which may have been largely due to the fact that "despite a higher degree of acceptance of his methods of leadership and better morale within his division, the *permissive* manager was unable to achieve a higher level of performance than the authoritarian manager (Mullen, p. 115, 120). It is entirely possible that the corporate modes and practices of the insurance company's authoritarian manager were perfectly in keeping with those of his superiors, which may have accounted for their marked preference for him over their other two subordinates. Given that the performance output of the authoritarian manager was not adversely affected by his lack of popularity amongst several of his own subordinates, Division Manager C stood in a better position to be promoted to the level of senior management in the future. Indeed, that may have been the tacit message that was being sent out by the regional vice-president of the company. Peter Burnell claims that "autocracies or hard authoritarian regimes vary in how they go about 'systems maintenance'" but while senior management may not have been concerned much with the diverse modes of leadership at the division-manager level in Mullen's study as long as 'systems were being maintained,' operating at more senior leadership in the company would most certainly have veered strongly towards the autocratic/authoritarian (p. 561).

It is worth quoting James Mullen's description of Division Manager C in full, especially since it succinctly incorporates the gist of autocratic leadership practice: "[He was] an *authoritarian*, hard-driving leader. He had a highly energetic pattern and demonstrated a great deal of self-confidence. He was something of a perfectionist and tended to enforce company policies and regulations rather rigorously. He habitually exerted rather close supervision of his subordinates and tended to identify primarily with the goals of his superiors" (p. 109). Not only was this division manager ensuring that his subordinates would accomplish the requisite work in which they were expected to engage, he was also keeping the vision and mission of his superiors in mind. He was thus using his autocratic behavior to integrate his supervision with his immediate bosses' needs as well as the needs of the regional vice-president. In short, insofar as corporate functionality was concerned he was maintaining a functional and consistent chain-of-command. What is most admirable about Division Manager C's autocratic approach is that he did not simply wait to be promoted in order to behave like a true leader—he effected and executed at middle management level a style of leadership that would most definitely have been required and appreciated in the more powerful echelons of senior management. In fact, based on Mullen's study it can be safely surmised that *consistency* and practice of autocratic leadership at the middle management level would enable him to be better suited than his recessive and democratic counterparts to handling senior-level problems and concerns.

Writing over twenty years later, in an article that dwells on the theory of "directive" aspects of leadership Muczyk and Reimann still maintain that "we must not lose sight of the fact that the bulk of our leaders are found in organizations that provide less than 'excellent' environments for the exercise of participative leadership" and that "examples abound of business organizations where senior managers have lost control over the actions of key subordinates" (p. 302, 306). This twofold concern indicates that in many cases even middle management may be called upon to display autocratic behavior, since losing control over one's subordinates may damage the mission, vision, and ultimately the performance of a highly competitive corporation. It is ostensibly ironic that these critics believe that the majority of leaders are found in arenas where subordinate participation does not appear to be actively encouraged, since exerting and maintaining control over the actions of key subordinates requires a fairly close level of participation. However, their agendum becomes clearer when one finds that they extensively examine the issue of *directive* leadership—a phenomenon that promotes the participative intervention of leaders in order to guide and teach subordinates and shape their actions and motivations. They define a directive-autocrat as someone who "suits situations that require quick action, with no time for *extensive* employee participation. [He or she] would also be effective in an organization or sub-unit with limited scope or size and with relatively unstructured tasks. … The directive autocrat is particularly well-suited to lead new, inexperienced or under-qualified subordinates" (p. 304, emphasis mine). The key word and major qualifier in their assessment and definition is "extensive" since, while that does not preclude participation, it implies that autocratic leaders indubitably place a high value on their time and do not subscribe to the notion that subordinates should require much hand-holding. In spite of coming up with a set of very cogent arguments that ultimately help strengthen their case for directive leadership, it is a pity that Muczyk and Reimann do not refer to a study that was published by Arthur Jago five years prior to theirs since it underscores the important twin concepts of leader-initiation and leader-consideration that could have benefitted their own work when it comes to clarifying some of their theories.

Jago believes that "leader initiating structure contributes to the satisfaction of followers engaged in ambiguous (i.e., unstructured) tasks and contributes to the dissatisfaction of followers engaged in clear (i.e., structured) tasks," whereas "leader consideration will have its most positive effect on the satisfaction of followers engaged in clear (i.e., structured) tasks" (p. 325). Therefore, given Muczyk and Reimann's abovementioned point that directive autocrats achieve greater levels of success than other leaders in dealing with subordinates who are engaged in relatively unstructured tasks, one may enhance their theory by noting, per Jago's assessment, that if directive autocrats engage in a process of leader-initiation their followers experience greater levels of guidance and professional satisfaction. Leader-initiation does not have to be as extensive in terms of participation as leader-consideration, which may harmonize better with a more democratic approach, though not perhaps a laissez-faire one. However, it is safe to assume that given the rigorous time constraints under which company heads and major directors operate they would invariably demonstrate the former patterns within governance as opposed to the softer, latter ones. Below the level of company head, senior level management would also be best served by demonstrating a leader-initiative approach of governance and guidance, underscoring their role as directive-autocrats. While there is no hard and fast rule as to whether leader-initiative behavior is inherently gendered in nature, noted author and financial manager Suze Orman states: "We still live in a time that presents us with obstacles to overcome simply because of our gender" (p. 321). One may take a moment to comment on the issue of gender and autocratic leadership briefly at this point.

In his article on social power and administrative leadership, Sven Lundstedt notes: "There are certain stereotypes, often associated with both leadership and management that contribute … respectability to authoritarian administration. Firmness of character and clarity of thought … are often associated with autocratic types of leadership [and] references are also made to its association with masculinity" (p. 160). Obviously Lundstedt will not go as far as to opine that the female gender is incapable of firmness of character and clarity of thought, indeed the undeniable competence of top business leaders such as Carly Fiorina and Indira Nooyi would belie such a sentiment. Nevertheless, given the differences between the genders, Sheryl Sandberg, the Chief Operating Officer of Facebook who has worked very closely with Mark Zuckerberg claims that not only do women need to be more assertive in leadership roles, men in positions of prominence in the corporate sector should actively encourage them to be more assertive. She anecdotally notes: "When a woman sits on the side of a room, a man needs to be able to wave her over to the table and explain why so she will know to sit at the table the next time. Ken Chenault, CEO of American Express, is a leader on this front. Ken openly acknowledges that in meetings, both men and women are more likely to interrupt a woman and give credit to a man for an idea first proposed by a woman. When he witnesses either of these behaviors, he stops the meeting to point it out. Coming from the top this really makes employees think twice" (Sandberg, p. 150). While Sandberg's point may be well-taken, based on this excerpt all Chenault appears to have done is simply take a quick, non-extensive directive-autocratic approach to including women's comments and ideas in corporate and executive meetings. He has been fair-minded but not unduly interventionist.

Chenault's being African-American and Indira Nooyi's being Indian would, given that they are both non-white, provide a further socio-political angle to this matter, but that does not change the autocratic authority that either of them possesses and is necessarily able to wield, and of which Sandberg brings forth an implicit example. Neither PepsiCola nor American Express can be defined by any stretch of the imagination as non-profit organizations where perhaps greater leader-consideration might need to apply. Hence, in the example cited above, Chenault was operating from a leader-initiative perspective. He was articulating a point of corporate social responsibility. Angus-Leppan, Metcalf and Benn claim that "a sense of duty [is] found to link most strongly with the perception of ethical leadership. This type of leadership [is] most prominent in non-profit organizations" (p. 193). These critics engaged in an important study of corporate social responsibility (CSR) whereby they highlighted, based on their corporate data, that "in the more hierarchical organization *explicit* CSR will be linked with autocratic leadership" whereas implicit CSR can be affiliated with less autocratic leadership (p. 209). This makes sense, especially given that autocratic leaders represent the visible face of their respective companies, hence explicit activities such as media-involvement in promoting the socially responsible aspects of their companies fall particularly under their domain.

Vocabulary such as 'explicit, directive, authoritarian, initiative, and autocratic' has indeed traditionally been associated with masculinity. One may further extend this argument and assume that such vocabulary can also be associated with practicality; hence Lundstedt's original statement above contains a kernel of indisputable truth. Moreover, the less practical and more idealistic fringe elements of leadership would not normally fall under the bracket of the vocabulary I have noted above or be directly related to governance practices best reflected by such labels. G. Bassiry surmises that: "While it might be that the essential socializational ingredient that promotes ethically and socially enlightened business leadership lies in the deeper realm of human beliefs and values, awareness and knowledge exposure are certainly pivotal components of behavior change" (p. 804). One need not get into a futile argument at this point as to whether autocratic leaders are ethical or not, but Bassiry's point regarding knowledge exposure certainly merits some additional consideration.

Autocratic leaders are expected to be fully-informed decision makers, and are expected to possess a condensed version of the salient features of matters in order to decide on them with relative rapidity and then have their decisions implemented at an equally smooth pace. Abhishek, Bartol, and Locke extensively discuss the concept of knowledge sharing. They regard knowledge-sharing and team-efficacy within corporations as vital mediating factors between leadership and team performance. Their study is particularly important as it implicitly views leadership as a *dynamic* process as opposed to a fixed set of traits. The critics claim that they "consider the role of knowledge sharing as a team process, and team efficacy as an emergent state in the empowering leadership-performance relationship.…Knowledge sharing is an important component of knowledge management, as it helps in codifying the repository of available knowledge in an organization and increasing it over time." (pp. 1239-1240). In the interests of secrecy and confidentiality many military and corporate autocratic leaders (especially in for-profit organizations) are often found to engage in what are at best semi-transparent practices. However, no man is an island, and autocratic leadership does not necessarily preclude the possibility of delegation and knowledge-sharing. Indeed, many autocratic and even military leaders know how and when to delegate some aspects of authority—this is why in structural terms major businesses can come across as hierarchical as the armed forces. Abhishek, et.al speculate that were a leader to share his or her knowledge with his or her subordinate teams and be receptive to receiving knowledge back from those team members, such exchange if conducted through appropriate professional channels would prove beneficial for the corporation. Moreover, as the critics note, the knowledge would build on itself for the betterment of the institution concerned. By drawing attention to leadership as a process, this study goes a step beyond Jago, Muczyk and Reimann's respective articles where purposeful directive behavior and initiative-taking are primarily traits that fall under the domain of autocratic leadership—thus they are *part* of processes, but not processes in and of themselves.

Finally, one should devote some attention to underscoring changing trends in developing definitions of leadership since these trends necessarily tie in with the question of leadership as a process rather than a set of traits. James McElroy comments that "personal traits, while once a dominant paradigm for studying leadership have long since given way to studies of leader behavior and situational approaches to leadership" (p. 90). He is correct in assuming that a leader should at least partially adapt his or her style to suit the occasion and the situation otherwise he or she risks not finding a solution to the problem at hand. It is naïve to operate from the assumption that large, highly competitive corporate businesses (or even small businesses) do not face a plethora of problems every day. Herein, however, we come almost full circle to the question posited at the beginning of this article—i.e. that which revolves around why autocratic leaders are generally regarded as the best crisis-managers and problem solvers. Before commenting further on that we can appreciate a more nuanced definition of this change in noting how leadership is now viewed academically by focusing on the recent words of eminent Indian businessman, R. Gopalakrishnan; the Director of Tata Sons in Mumbai writes: "Traditionally leadership has been considered to be either an inheritance for those born in powerful families or a born trait among some who went on to acquire power. However, through the past century, as management became a knowledge discipline, there have been significant changes in the way people think about leadership. Increasingly, leadership is being looked at more as a *competence* and less as a trait. While individual characteristics—intelligence, courage, charm, etc.—remain vital to leadership, the situational and organizational factors now play a greater role in performing the leadership function" (p. viii, emphasis mine). Gopalakrishnan negotiates a middle ground between process and trait by claiming that leadership rests on both inherent and acquired competence; on a very fundamental level it may be accurately viewed as an acquired skill that is enhanced and expanded by experience, and occasionally by luck. Whether one specifically and consciously decides to develop autocratic competence (regardless of whether one is thus inclined by nature or background) becomes a matter of personal choice. In the case of Director C in Mullen's study, even those subordinates who regarded him unfavorably should have ascertained that since senior management had seen him in a positive light, their own approach to work would benefit from adapting to autocratic attitudes, rather than expecting their leader to adapt to them.

Muczyk, Reimann and Jago all accurately perceived that autocrats deal best with structured approaches to problems, but while speaking about situational leadership Michael Armstrong and Tina Stephens are even more explicit in noting that "a task-oriented approach (autocratic, controlling, transactional) may be best in emergency or crisis situations or when the leader has power, formal backing, and a relatively well-structured task" (p. 14). Hence, autocrats acclimate themselves to respecting structure, because at the executive level greater structure and organization invariably simplifies problem-solving. This idea is of special significance because Armstrong and Stephens underscore this, not in an academic article for a few specialists, but in a handbook that several students can be expected to access and utilize. One may add that one of the prime goals of directive autocrats is to shape the behavior of subordinates to the point where they provide greater structure and clarity to tasks, thereby minimizing crises, chaos and problems, and leaving the handling of inevitable serious business crises to executive teams that can also depend on an autocratic approach, albeit a more senior one, to solve them efficiently and comprehensively. Therefore, to conclude I will end with a self-explanatory quote from the devious, but successful, Renaissance man Niccolo Machiavelli who encapsulated a sentiment close to the hearts of virtually all autocratic leaders: "A wise prince should establish himself on that which is in his own control and not in that of others" (*The Prince*, Chapter XVII).

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ARTICLE

Impact of Acquisition on Cost Efficiency of Acquirer Firms by Using Data Envelopment Analysis (DEA)

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Abstract

Using Data Envelopment Analysis techniques to calculate cost efficiency measures among firms that have carried out acquisitions, this study finds statistically insignificant improvements in cost efficiency three years after the acquisition for both financial and non-financial firms in Pakistan.

Key Words: Acquisitions, cost efficiency, Data Envelopment Analysis

Introduction

Gaining corporate control over other firms (acquisitions) has become evident in financial and economic environment as a major force of progress; moreover, it is rapidly changing due to competition, demand of new products, change in people needs/wants, emerging markets, customers and advance technology. Primarily developed countries particularly US and UK followed this amalgamation trend whereas on the other hand, most of the developing countries started to pursue the same trend. In twentieth century high growth rate is known from the fact that US witnessed a three-fold raise in number of consolidations (Acquisition) while it has been reported as five-fold raise in term of value (Copeland et al, 2005).

In UK the number and value of the consolidations were also following the same trend as of US. As in 1995 the worth of consolidation raised to 32600 million pound which was2532 million pound back in 1972 (Arnold, 1998). The wave of acquisition has highlighted the efficiency implications of deposit taking institutions consolidations. Berger et al. (1993, p. 232) studied the interest of policy-makers and other concerned parties in this process of acquisition as if competition among financial and non-financial industry will increase, and if these acquisitions are successful in enhancing efficiencies of these industries and this will accrue substantial benefits to the customers and claimholders of these firms.

Consequently, this booming trend of acquisition motivates the researchers to study and dig out hidden motives and consequences of these consolidations. As enhancement of efficiency in acquisition is one of the two critical components of economic growth. Khan & Senhadji, (2000) studied the linkages between the financial development and economic growth, create an urge forantitrust authorities, regulating authorities, researchers and practitioners to get better understanding of causes and consequences of financial sector consolidation.

Impact of acquisitions on performance and cost efficiency has gained more concentration due to its importance; moreover, consolidations of firms enhance efficiency in many ways. For instance, there are four rationales behind acquisition of another firm;

Performance efficiency is the first motive which is achieved by improving firm's revenues by combining a superior mix of inputs and outputs. Profit efficiency takes both cost and revenue effect of the choice of output vector in account. Second motive is to gain cost efficiency, a firm working on cost efficiency produces certain level of output with least amount of cost, whereas profit efficient firm attain maximum profit from specific level of inputs and outputs.

Third motive is to gain post acquisition efficiency (synergy effect) and this increase in efficiency results from the changes in input output mix after merger. Fourth motive is that consolidation can increase revenues by exercising market power as an increase in market share allow them to charge high prices (extracting more from consumers') for goods and services without improving efficiencies. (Muhammad A. and Zahid A., 2014)

Consolidations occur between firms as it creates synergy among acquirer and the target firm and then synergy increases the worth of the firm, according to value increasing school of thought (Hitt et al., 2001). The theories propose that acquisitions will only take place when it is anticipated that it will create attainable amount of synergy that is valuable for both. The target firm would not sell the shares or let the bidder firm to acquire, if the gain were not positive. Therefore, efficiency theory predicts that acquisitions result in value creation for both the acquirer and the target firm.

Moreover, the theory of market poweris also a legitimate reason behind acquisitions (Houston et al., 2001; Mukherjee et al., 2004). According to Feinberg(1985), increase in allocative synergies put forward significant and positive benefits, as a firm with market power can earn large profit by charging high prices due to consumer surplus demand. Prager, (1992), Chatterjee, (1986), Kim and Singal, (1993), Sapienza, (2002), and Cefis et al., (2008) conducted numerous studies and concluded that certainly, increased profits and decreased sales are witnessed by firms after consolidation.

However, the comparative study of impact of acquisitions on cost efficiency of financial and non-financial industry is still the area to be explored. To fill the gap this scheme of study is design to investigate the impact of acquisition on cost efficiency of financial and non-financial sectors of Pakistan by using Data Envelopment Analysis (DEA) approach. Study is organized as follows. Firstly, previous researches have been discussed, then methodology of research design has been explained. Later on, results are discussed along with discussion and then conclusion is being drawn.

Literature Review

Rhoades (1993) suggests that efficiency impact on acquisitions became the central focus in the literature in late 1980s. Cost efficiency phenomenon is tested mostly in the financial sector particularly in banking sector. Researchers have applied both parametric and non-parametric tests to evaluate the bank mergers efficiency. Rhoades (1993) used the Logit model to study the 898 U.S. bank merger data (1981-89). The results of this research could not support the improvement in cost efficiency as a result of merger.

Favero andPepi (1995) evaluated the efficiency of 174 Italian banks in 1991. They used a comprehensive technique to compute scale efficiency and technical efficiency through the data envelopment analysis (DEA) model along with traditional regression model. Vennet (1996) used the stochastic frontier cost function to conduct an empirical study on the 492 European Union credit institution mergers during the 1988-92 periods. Findings revealed that bank mergers having adequate scale produced significant cost efficiency, but bank mergers would not result in economies of scale. Peristiani (1997) employed the distribution-free approach to analyze the 4,900 commercial and savings bank mergers in the U.S. during the

1980-90 periods. Findings showed no significant post-merger efficiency but mergers created economies of scale.

Akhavein, Berger, and Humphrey (1997) replaced the traditional cost efficiency analysis with the profit function and conducted a distribution-free empirical study on the USD 100M+ U.S. commercial banks during the 1981-89 period. Findings revealed that mergers could reduce cost and improve profit efficiency of banks. Resti (1997) simultaneously used the parametric approach and DEA to compare the operating efficiency of 270 U.S. banks. Empirical findings of the two approaches did not show significant differences, the only difference were in the properties of the two approaches. Bauer, Berger, Ferrier, and Humphrey (1998) simultaneously used four approaches (DEA, stochastic frontier cost function, thick frontier analysis, and distribution-free approach) to measure the efficiency score of 683 USD 100M+ U.S. banks during the 1977-88 period. Empirical findings revealed that the three other approaches obtained more consistent efficiency score, moreover the efficiency scores were higher than that of the DEA derived efficiency score. DEA technique is used to determine cost efficiency in health sector by Yu K. 2011.

Lang and Welzel (1999) based on an unbalanced panel of all Bavarian cooperative banks for the years of 1989 included information on 283 mergers, using a frontier cost function with a time variable stochastic efficiency. It has been shown that positive scale and scope effects from a merger arise only if the merged unit closes part of the former branch network. Lin P (2005) worked on a sample of banks in Taiwan to determine mergers and their effect on cost efficiency. Banking sector witnessed a high growth rate of M&A activities after Asian financial crisis of 1997. This study was worked on 46 banking mergers from 1997 to 1999. The results are quite interesting. The effect of mergers on cost efficiency is dependent upon culture of banks. In case of same nature of banks, no improvement was observed after the banking mergers.

Wen (2002) recognized important advancement in technical and allocative efficiency and unimportant cost efficiency advancement after bank acquisitions in Taiwan using DEA. Worthington (2001) calculated the difference between pre-acquisition and post-acquisition efficiency of the non-financial institutions. He used the discrete choice regression model and his results revealed that there was significant improvement in efficiency of Australian credit unions after the acquisitions during the time period of 1993-95. Sufian & Fadzlan (2004) used the non- parametric frontier strategy of Data Envelopment Analysis (DEA) to explore the technical and scale efficiency of domestic integrated Malaysian commercial banks during the period of 1998 to 2003. Their findings showed improvement in efficiency in the post acquisitions period.

Gourlay et al (2006) observed efficiency gains from bank acquisitions in India by using the technique of Data Envelopment Analysis. Al-Sharkas et al. (2008) used the techniques of Stochastic Frontier Analysis (SFA) and Data Envelopment Analysis (DEA) to inspect the effect of acquisitions on cost and profit efficiency of the US banking sector. Their results suggest the confirmation of enhancement in both types of efficiencies after the acquisitions.

However, the impact was positive in case of different cultures of banks. The possible reason may be the more chances of innovation in case of heterogeneous banks. Size factor also affected the efficiency and small banks outperformed large banks in this scenario.

Some studies show that acquisitions result in no significant improvement in efficiency. Rhodes (1986) studied 413 acquisitions during the time period of 1968-78 in US. He used the multiple regression and probit analysis and found no improvement in the efficiency of acquirer banks aim comparison to the non-acquirer banks. Rhodes (1993) summarized the thirty nine US studies conducted on efficiency, profitability and stockholder wealth impact of acquisitions during the time span from 1980 to 1993 and gave little proof to the proposition that bank acquisitions consequence in improvement in performance.

The available literature propose that although there are several studies on efficiency analysis of different sectors in Pakistan but little has been explored about efficiency impact of acquisitions in both the financial and non-financial sector of Pakistan. Pakistan's financial sector has been studied from various perspectives such as Akhtar (2002) explored the x-efficiency of banks in Pakistan banking.

Mehmood & Loan (2006) studied the impact of financial liberalization on cost efficiency of Pakistani banks between 1994 and 2000. They used the Stochastic Frontier Approach technique and observed a U-shaped efficiency pattern over the said time span and conclude that foreign banks are more efficient than domestic private bank. Their results showed no considerable relationship between bank size and efficiency. Qayyum & Khan (2007) explored the X- efficiency, scale economies and technological growth of 29 commercial banks in Pakistan.

They used the Deterministic Frontier Approach (DFA) technique and concluded that domestic banks were not as much efficient than foreign banks during the span of 2000-2005.They also observed higher scale economies for small banks. Manufacturing firm of Pakistan go for expansion by means of acquisition and how these consolidation effect on financial performances was studied by Muhammad Ahmed and Zahid Ahmed in 2014.Efficiency gains of acquisitions have been a topic of significant discussion in empirical and practical research. However, the evidence concerning the efficiency impact of acquisitions in literature is diverse. Resultantly, the acquisitions in both financial and non-financial sectors got thrust which resulted in a noteworthy interest in investigating and exploring the efficiency impact of financial sector acquisitions from diverse angles.

Methodology

The purpose of our study is to find the relationship between acquisitions and cost efficiency and investigate if efficiencies of financial and non-financial firms are enhanced or decreased after acquisition. The nature of this study is Causal as it describes the cause and effect relationship between acquisitions and cost efficiency.

Data collection, Selection of Sample and Variables

This study investigates the cost efficiency of acquirer firms of Pakistan. The population consists of all the financial and non-financial firms which have faced acquisition of shares above 51% that is mentioned by the competition commission of Pakistan. The study sample includes both financial and non-financial firms (Worthington, 2001)

The financial and non-financial firms, whose data was not available, were excluded from the sample. The foreign firms who have acquired the target Pakistani firms are also excluded from the sample. Around 100 acquisitions have been taken place during 2004-2012 but only 51 of them were acquired by Pakistani firms and were listed on Karachi stock exchange (KSE). Out of these 2 financial and 13 non-financial firms were foreign companies, few were joint ventures, and data of few firms was not available. Three year pre and post-acquisition data of 36 firms has been collected of each acquirer firm from the period of 2004 to 2012. Li et al, (2007) and Ang, (2010) investigated that firms with negative equity leads to financial distress, so those firms are also excluded from the sample

The data of various financial and nonfinancial firms required for Data Envelopment Analysis (DEA) is obtained from annual reports of the firms published each year, financial statement analysis available at State Bank of Pakistan (SBP) and balance sheet analysis available at Karachi stock exchange. Input and output variables' data was extracted from that same source to calculate the firm technical and scale efficiency (Favero and Pepi,1995)

Measurement of Cost Efficiency

As this study investigates the cost efficiency of both financial and non-financial firms, there are different input and output variables for each. For calculating the cost efficiency of financial firms, two inputs are used, total deposits and Interest expense. The outputs include Total loans and Interest income. The inputs used for calculating the cost efficiency of non-financial firms include Total assets and Total stockholder's equity and output variables are Earnings before interest and tax (EBIT), Sales and Earnings after tax (EAT).

In this study the researchers have estimated the cost efficiency of consolidated firms by a means of DEA approach, a non-parametric approach based on convex combinations of firm in the sector. According to Charnes et al. 1994; Berger and Humphrey,1997, DEA technique has been widely used for estimating efficiency in diverse industries. There are two main reasons due to which we have adopted DEA approach; firstly it is the easiest method to decompose cost efficiency into technical and allocative efficiency and technical efficiency into pure technical efficiency/scale efficiency components. Secondly, the Malmquist approach is known as a standard technique used over the period of time to measure the progress of productivity and efficiency, based upon DEA.

Data Envelopment Analysis (DEA)

Charnes, Cooper Rhodes (1978) developed DEA evaluation method for efficiency by means of the constant-return to scale assumption. However, later Banker Cooper and Charnes In (1984) extended this approach, by means of the variable return to scale assumption to measure the firm efficiency. The free variable denoted by the Uo is one if the difference between these two models. However, DEA approach has power to make decision making unit (DMU) by merging the multiple inputs and outputs variables of a firm, and provides a single measure to determine the cost efficiency between inputs and outputs variables of the DMU.

DEA is based on the subsequent assumptions and this study has taken into account the below assumptions to run DEA.

1. DEA is unable to be applied on negative figures. So, all the figures should be positive.
2. DEA also cannot be applied on data if data set has noise in it. In previous studies, DEA has been often used for the measurement of efficiency of financial and nonfinancial firms.

In previous researches DEA has been extensively used to examine the efficiency of financial and non-financial firms. This research use DEA approach to calculate the technical and scale efficiency of the firms during 2004-2012 time horizons. Two of DEA model has been utilized in our investigation CRS model, and VRS model and then calculating scale efficiency by the ratio of these two models. Weights Inputs and outputs parameter are selected to enhance the efficiency score of each unit.

So when the DMU efficiency is one it is considered as efficient and the score of efficiency lies between the ranges of 0 to 1.

$$\theta = 1 \quad \text{Efficient}$$

$$\theta < 1 \quad \text{Inefficient}$$

Constant Return to Scale Model

First model is the Constant Return to Scale Model or CCR model, as its name reveals that this is suitable when firm wants to maximize its technical efficiency from a specified level of inputs. But it is also possible to decrease inputs to achieve high efficiency. The Charnes et al. (1978) proposed a first mathematical equation as follow:

Variable Return to Scale Model

Banker, Charnes and Cooper (1984) presented another Variable Return to Scale Model or BCC Model that is used to attain a specified level of production by utilizing minimum amount of inputs. Scale Efficiency Model

$$\text{Scale Efficiency} = \frac{\text{Technical efficiency under CRS}}{\text{Technical efficiency under VRS}}$$

DATA ANALYSIS

Data has been analyzed for financial firms.

FINANCIAL FIRMS
INPUT ORIENTED CRS EFFICIENCY

Company	PRE			POST		
	t-3	t-2	t-1	t+1	t+2	t+3
Standard Chartered Bank	0.91879	1.00000	1.00000	1.00000	1.00000	1.00000
First Capital Securities Corporation Limited	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Standard Chartered Bank Limited.	1.00000	1.00000	1.00000	0.91328	0.86538	1.00000
Summit Bank Limited	1.00000	0.98738	1.00000	0.93554	0.63097	0.87161
Faysal Bank Limited	1.00000	0.97105	0.84557	1.00000	0.73141	1.00000
Bank Islami Pakistan Limited	0.59020	0.60514	0.52447	0.66090	0.51117	0.75666
JS Bank Limited	0.71181	0.64271	0.68252	0.45068	1.00000	0.73132
	0.888686	0.886611	0.864651	0.851486	0.819847	0.908513
Average	**0.879982857**			**0.859948571**		

The above table shows the CRS efficiency of firms for pre vs. post-acquisition years. As increase in efficiency is indicated by DMU more than 1 which is not observed in most cases. The average efficiency in the pre period is 87.99% while it decreased to an average of 85.99% in the post period. The difference between pre and post cost efficiency (2%) isdecreased as compared to the cost efficiency difference while including all firms (5.151%).

FINANCIAL FIRMS

INPUT ORIENTED VRS EFFICIENCY

Company	PRE			POST		
	t-3	t-2	t-1	t+1	t+2	t+3
Standard Chartered Bank Limited	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
First Capital Securities Corporation Limited	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Standard Chartered Bank Limited.	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Summit Bank Limited	1.00000	0.99111	1.00000	0.93733	0.67570	0.92090
Faysal Bank Limited	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Bank Islami Pakistan Limited	0.61215	0.80674	0.52479	0.83102	0.59963	0.75749
JS Bank Limited	0.84734	0.82537	0.73462	0.75906	1.00000	0.79059
Average	0.922784	0.946174	0.894201	0.932487	0.896476	0.92414
Averageof Pre and Post		**0.9211**			**0.9177**	

The average VRS cost efficiency in the pre period was 92.11% while it decreased to 91.77% in the post period. Similarly when all the firms were included earlier in the calculation, the average efficiency decreased in the post period but now the difference in efficiency has decreased from 1.832% to 0.34%.

FINANCIAL FIRMS

INPUT ORIENTED SCALE EFFICIENCY

Company	PRE			POST		
	t-3	t-2	t-1	t+1	t+2	t+3
Standard Chartered Bank Limited	0.9188	1	1	1	1	1
First Capital Securities Corporation Limited	1	1	1	1	1	1
Standard Chartered Bank Limited.	1	1	1	0.9133	0.8654	1
Summit Bank Limited	1	0.9962	1	0.9980	0.9338	0.9465
Faysal Bank Limited	1	0.9710	0.8456	1	0.7314	1
Bank Islami Pakistan Limited	0.9642	0.7501	0.9994	0.7953	0.8525	0.9989
JS Bank Limited	0.8401	0.7787	0.9290	0.5937	1	0.9250
Average	0.9604	0.928	0.9677	0.9000	0.9118	0.9814
Average of Pre and Post		**0.9521**			**0.9311**	

The average efficiency in the pre period has increased from previous calculation to 95.21% while efficiency in the post period also increased but the difference between the pre and post has decreased from 3.196 % to 2.1% after removing the problematic firms. On average, the firms are less efficient after acquisition as compared to before acquisition.

Non-Financial Firms

NON-FINANCIAL FIRMS

INPUT ORIENTED CRS EFFICIENCY

Company	PRE			POST		
	t-3	t-2	t-1	t+1	t+2	t+3
Nishat Chunian Limited	1.00000	1.00000	1.00000	0.35201	0.36274	0.42354
Thal Limited	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Millat Tractors Limited	0.90046	1.00000	1.00000	1.00000	1.00000	1.00000
Hub Power Company Limited	0.63914	0.51531	0.56549	0.45339	0.45256	0.51649
Crescent Steel and Allied Products Limited	0.38681	1.00000	0.62483	0.52412	0.57118	0.32630
Exide Pakistan Limited	0.90715	1.00000	1.00000	1.00000	0.91386	1.00000
International Industries Limited	1.00000	1.00000	1.00000	0.82196	0.56865	0.52803
JDW Sugar Mills Limited	0.67371	0.87701	1.00000	0.83030	0.49382	0.58477
Average	0.81341	0.92404	0.89879	0.74772	0.67035	0.67239
Average of Pre and Post		**0.878746319**			**0.696822763**	

The above table shows the CRS efficiency of firms after removing the companies with negative input or output value and missing values. The average efficiency in the pre period is 87.87% while it decreased to an average of 69.68% in the post period. The difference between pre and post cost efficiency has increased as compared to the cost efficiency difference while including all firms.

NON-FINANCIAL FIRMS

INPUT ORIENTED VRS EFFICIENCY

Company	**PRE**					**POST**
	t-3	**t-2**	**t-1**	**t+1**	**t+2**	**t+3**
Nishat Chunian Limited	1.00000	1.00000	1.00000	0.43584	0.37420	0.44687
Thal Limited	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Millat Tractors Limited	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Hub Power Company Limited	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Crescent Steel and Allied Products Limited	0.41350	1.00000	0.70469	0.84306	1.00000	0.95297
Exide Pakistan Limited	0.99548	1.00000	1.00000	1.00000	0.91494	1.00000
International Industries Limited	1.00000	1.00000	1.00000	0.85534	0.64271	0.68583
JDW Sugar Mills Limited	0.67474	0.92973	1.00000	1.00000	0.88862	0.95434
Average	0.88547	0.99122	0.96309	0.89178	0.85256	0.88
Averageof Pre and Post		**0.946589589**			**0.874780307**	

The average VRS cost efficiency in the pre period was 94.65% while it decreased to 87.47% in the post period. Earlier when all the firms were included in the calculation, the average efficiency decreased in the post period but now the efficiency has increased.

NON-FINANCIAL FIRMS

INPUT ORIENTED SCALE EFFICIENCY

Company		PRE			POST	
	t-3	t-2	t-1	t+1	t+2	t+3
Nishat Chunian Limited	1	1	1	0.80766	0.22	0.74355
Thal Limited	1	1	1	1	1	0.24255
Millat Tractors Limited	0.90046	1	1	1	1	1
Hub Power Company Limited	0.63914	0.51531	0.56549	0.45339	0.45256	0.51649
	0.93547	1	0.88667	0.62169	0.57118	0.34241
Limited Exide Pakistan Limited	0.91127	1	1	1	0.99882	1
International Industries Limited	1	1	1	0.96097	0.88477	0.76991
JDW Sugar Mills Limited	0.99847	0.94329	1	0.8303	0.55572	0.61275
Average	0.9231	0.93232	0.93152	0.83425	0.71038	0.65346
Average of Pre and Post		0.928981955			0.732696472	

The average efficiency in the pre period has increased from previous calculation to 92.89% while efficiency in the post period also increased to 73.26% but the difference between the pre and post has increased after removing the problematic firms. On average, the firms are less efficient after acquisition as compared to before acquisition.

We ranked the firms included in our data set in the categories of most efficient, less efficient and least efficient firms. The base of this ranking was their pre and post efficiencies over the period of time.

Financial Firms

MOST EFFICIENT FIRMS		INEFFICIENT FIRMS
Allied Bank Limited	NIB Bank Limited	Crescent Commercial Bank Limited (Samba)
Standard Chartered Bank Limited	Summit Bank Limited	JS Bank Limited
First Capital Securities Corporation Limited	Faysal Bank Limited	Bank Islami Pakistan Limited

Non - Financial firms

MOST EFFICIENT FIRMS	LESS EFFICIENT FIRMS	INEFFICIENT FIRMS
Indus Dyeing & Manufacturing Co. Limited	Saritow Spinning Mills Limited	Pakistan Telecommunications Company Limited
Millat Tractors Limited	JDW Sugar Mills Limited	International Industries Limited
Hub Power Company Limited	Exide Pakistan Limited	Byco Oil Pakistan
Shahzad Textile Mills Limited		Crescent Steel and Allied Products Limited
Pakistan Petroleum Limited		Dawood Lawrencepur
		Nishat Chunian Limited
		Dewan Cement Limited
		Byco Industries Incorporated
		Byco Petroleum Pakistan Limited

Conclusion

During last few decades significant amount of changes have been made in regulatory environment of financial institutions, which forced many of financial firms towards Acquisitions as a strategic tool for corporate restructuring. This study explored the impact of acquisitions on cost efficiency of financial and non-financial firms of Pakistan by using Data Envelopment Analysis (DEA) during 2004-2012.

Cost efficiency of the firm three year before (t-1, t-2 & t-3) and three year after acquisition (t+1, t+2, & t+3) were calculated and compared (pre and post-acquisition) to examine increase or decrease in efficiency after consolidation. The efficiency of firm was measured by two major Data envelopment Analysis (DEA) models: CRS (constant return to scale) and VRS (variable return to scale) to obtain accurate results.

This study found statistically insignificant improvements in the cost efficiencies in the post- acquisition period for both financial and non-financial firms. The cost efficiency of financial firms showed a decrease of 1.8 % in the post-acquisition period and non-financial firms showed a decrease of 7.85%. These results are parallel with Al-Sharkas et al (2008) which also found related results for bank acquisitions in US. Sufian et al (2007) used the mutual estimation of non- parametric, parametric and ratio analysis to explore the efficiency effect of bank acquisitions in Singapore. Their results also showed no efficiency gains from Singaporean bank acquisitions.

The reasons for these insignificant results may be multiple. The efficiencies were negligible because the pre-acquisition efficiency was too high to have substantial improvement in cost efficiency in the post period. The financial firms face strict regulations of SBP for their survival and operations in Pakistan. Many firms are not in the position to undergo acquisition but they do so in order to stay in the market and protect themselves from liquidation or closure.

In most of the non-financial firms’ acquisitions, the customers may not accept the transfer of ownership of their firm to another firm and shift to other firms. The brand loyalty to their brand firm affects the sales and profits of acquirer firms. Most of the acquisitions are done in unrelated industries and thus the economies of scale and synergy effect cannot be obtained as planned. Some of the firms acquired were in real financial distress and they drained the profitability and performance of the acquirer firms.

The institutions of government, policy developers and antitrust bodies may use these results while formulating and implementing policies regarding acquisitions in any sector or giving authorization for any acquisition application in the financial and nonfinancial sector of Pakistan. The authorities should use an appropriate approach in this regard and do complete cost and benefit analysis beforehand. The study suggests that as there is a significant decrease in the post- acquisition cost efficiency of both sectors so the acquisition applications and their future prospects should be analyzed carefully before giving approval. Such corporate control activities should improve the general efficiency and economic stability of the country.

There are many dimensions and areas of acquisition that can be studied. A few future research directions for the study include: Firstly, different inputs and outputs proxy can be used to measure firm's cost efficiency. Secondly, All acquirer firms either Pakistani or foreign can be used to investigate the impact of acquisitions on cost efficiencies, in order to increase the number of acquirer firms. Thirdly, we can conduct studies in different countries in order to compare the countries wise cost efficiencies. Fourthly, other efficiency measurement techniques or tools such as financial ratios, stochastic frontier analysis (SFA) and analytical hierarchal process (AHP) can be used to measure impact of acquisitions on cost efficiency of the firm. We used only DEA technique for cost efficiency in our study, multiple techniques can be used for comparison among them.

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CASE STUDY

The Discourse: Doing it Differently– the Oreo Princess Campaign

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Abstract

Using the three rhetorical elements of Aristotle's model of persuasive communication, namely, Ethos, Pathos and Logos, this article evaluates how the Oreo Princess Campaign has affected existing norms of communication and advertising in Pakistan.

Key Words: *Persuasive Advertising, Children Advertisements, Global Branding, Food Advertising, Emerging Markets, Pakistan*

Originality

The originality of the study stems from it being one of the very few analyses revolving around a single communication principle and evaluating the applications of a validated age-old Aristotelian model of communication. The fundamentals of the model have been very keenly applied to the Oreo television commercial [TVC] in order to discern whether or not the model can provide fundamentals for an effective ad production, and could it be applied to other similar brands and their communication strategies. Furthermore, the study also evaluates the effectiveness of the advertisement to suit the Pakistani market. It takes a principal advertisement into consideration and evaluates how 'adaptation' and 'globalization' has made the ad relevant to the local mindset. In the same vein, it aims to uncover how with the use of the Ethos, Pathos and Logos has generated a following among the youth and has taken on board the emotions of both the parents as the key decision makers when making the purchase. Oreo Pakistan is set to establish a trend of its own, as it has achieved globally. The research deems to inquire the core essence of this established brand in an emerging market.

Introduction

"Successful advertising appeals to both head and heart, to reasons and emotions"

– Beatson 1986.

Advertising to children has been researched on several parameters, globally all children are being exposed to food marketing at very high frequencies and volumes. Food advertising is considered to be the number one contributor of obesity in children (Just & Payne, 2009). Children are not entirely aware of persuasive advertising and consider it to be truthful. Evidence from psychological research suggests that in most countries food which cannot be proclaimed as healthy or nutritional is the one being advertised more. Use of cartoon characters in advertisements helps gain children's attention and is creating a greater brand recall. Humor is being used to appeal to the target audience (Sugiyama, Healy, Dunstan, Salmon, & Owen, 2008).

According to study by Kelly et al. (2010) if children watch two hours of television, within this time frame they are expected to be exposed to more than 56 food ads per week. It can be inferred that there can be links between advertising, children choices, and consumption. Young consumers are not an easy audience to target. They seek out for things that belong to their world, hence elements such as “fun” and “play” in advertising inculcates in children that sense of belonging. According Cook (2005, p. 19): ‘‘Fun food, in its contemporary iterations, succinctly denotes a food item or category as belonging foremost to children and to a children’s world’’

Advertisers today combine food and play aimed to attract children. They use various others symbolic attractions such as tonality, colours, structures, sounds, jingles, language and other variables (Kelly, et al., 2010). Attribution of entertainment with food is not a new phenomenon rather it has been around since the 1950s. The use of fun has become more sophisticated but is substantially same all across borders. Advertisers today use various elements from domestic culture in order to enhance the likeability factor of their ads also the study of Lulio (2010) investigated the meandering tactics that advertisers utilize in catalyzing the children’s cosmos by transforming food products into food for children particularly making it ‘fun food’. Since early 1950s the western world has catered to young teens or children by accentuating the joyfulness and euphoric realm of food consumption, thus coupling entertainment and children merry making with such products (De Lulio, 2010).

Food advertisers today are also using a parent-child combination. This is in line with the expectation to target both the user and the purchaser. A vast range of emotional and visual marketing techniques are being used to attract children. Celebrities and cartoon characters also influence child behavior on the whole (Hebden, King, & Kelly, 2011).

Marketing to children is full of challenges. Most of the advertising campaigns that are targeting children are of confectionary products, snacks and toys. Now, many soap products have started targeting children. Getting to target the right age is critical for the success of an advertising campaign. This is a very dynamic age group where tastes and preferences change constantly. The vocabulary this audience use changes with age along with the visual imagery. Therefore, market and media fragmentation are the most critical challenges. Research suggests that children begin to respond to advertising between the ages of 3 to 5. The second challenge is that users are not the purchasers. Hence the advertisement has to be persuasive enough be converted into a purchase. Also, parents seek different qualities from a product than children, therefore the brands must appeal both hence taking a toll on media effectiveness and its efficacy in achieving the key objectives. This market is evolving fast and advertisers prey to those who buy these products and those who consume (Fletcher, 2004).

The Subcontinent Viewpoint

The subcontinent has been considered as ‘masculine’ and male dominated culture (Hofstede, 2001), typically the influence of men in most of the food choice decisions for their children including choosing which school they should go to. According to Soni & Singh (2012), the TV viewing is under the authority and jurisdiction of parents and in buying of food products they play a consequential part, uncommonly the ‘fathers’ (Soni and Singh, 2012).

A research on young Indian children was carried out to highlight the themes used in children advertisement today in the sub-continent. The most prominent appeals used were of fun and happiness. Being cool is the new upcoming phenomenon these days. Happiness, colours, smell and fantasy are used to gauge the attention of young consumers. Food promotion is being carried out in a similar manner in the developing countries as that of the developed. Indian lifestyles are changing, thus processed and packaged food is slowly making its way into the household and has a big potential. Health and nutrition factor on the whole is being ignored. Marketers are not highlighting the nutritional aspects, due to which persuasion is playing a key role in the industry rather than informed decision making (Soni & Vohra, 2014)

Perspective from Pakistan

Asian countries have masculine culture with decision power largely dominated by men in the bottom of the pyramid. Another research gathered the perspective of fathers of Pakistani children and their views on advertising. In a Pakistani society advertisers have to be careful to communicate a message in such a way that it doesn't create a conflict between the parents and children. Respondents believed that TV advertising is having a negative influence on children's eating and buying habits. It is triggering the demand for unhealthy food and diet. They believe that the frequency of food commercial targeted towards children should be reduced in order to promote healthy habits amongst young consumers. (Kashif, Ayyaz, & Basharat, 2014)

Biscuit market has been developing into the snack range and is consumed by all ages. Consumers today ignore the rational nutritional facts about biscuits and consume biscuits produced from modern factories. The appealing nature of biscuit is unhealthy; however biscuit consumers have strong associations both in personal consumptions and social display. The consumption of this category helps consumers build an imaginary escape from everyday life to an idealized perfect moment. However with the advent of organic foods the biscuit category can also take a leap towards healthier options for its consumers.(McIntyre & Schwanke, 2010)

Oreo- A Global Brand

Oreo is a 100 year old brand that was first launched in USA. It is a billion dollar brand with an approximate global sale of $2.3 billion. The brand ensured that its presence is felt locally. Oreo has been a renowned brand and has been able to capture the top of mind recall of consumers for many years. Before the official launch it was available in the market through other sources. But its proper launch by CBL brought it into the running with several other competitor brands in Pakistan. Pakistan is a big biscuit consuming nation with biscuits consumed at various occasions. In such a scenario the entrance of Oreo in the local market felt like a breath of fresh air. Pakistan being a developing marketing has set consumption patterns, therefore the availability of the world finest cookies at an affordable price with the same or matching quality, was none the less a treat to the average consumer. To maintain the quality CBL has invested Rs. 1.1 billion to erect a state of the art production plant in Sukkur (Euromonitor International, 2015).

Oreo Campaign in Pakistan

In 2014, Oreo Pakistan launched the 'Oreo Princess Campaign' (OPC) in the first quarter of that year and made millions smile with their endearing concept, and heart-warming execution. The ad has managed to hit a chord with the audience and build an emotional connection in a short span of time. Oreo's Princess Campaign throws light on the unconditional companionship between a father and a daughter.

The advertisement is an imaginative and heartening work by Circuit Draft FCB, and features one of Pakistan's renowned television model/actor, Fahad Mirza, performing the role of a loving father. The theme revolves around the father-daughter duo, sharing some loving moments over an Oreo. The cute, chubby princess with her contagious smile and even better dialogue delivery Twists, Licks and Dunks her way into the audience's hearts; what better way to learn how to eat an Oreo, than through the instructions of this Oreo Princess. The sequence begins with the daughter playing the role of a princess in her beautifully decorated room. The father returns from office, and his compulsive need to indulge and pamper his daughter leads him to follow each instruction that the cute, little 'princess' throws his way. After following each instruction, the ad ends with the 'princess' proudly declaring that her father is not yet ready for the yummy Oreo delight! [Refer to Exhibit 1 and 2]

Positioning-Dunking it Right Where it Counts

Oreo, globally, as well as in Pakistan has been positioned to celebrate the love a parent shares with their child and promote family togetherness. After the father-son campaign, Oreo has followed up with a father-daughter relationship to match this positioning. We believe, that the ad employs a slice-of-life approach and a mundane moment made special because of the combination of love and the Twist-Lick-Dunk (TLD) routine of the magical Oreo. The ad ends on an endearing note leaving the consumer feeling emotionally connected with the brand.

Connecting with the Audience via Simple Insights

In Pakistan, Oreo is positioned towards socio-economic classes A and B, predominantly settled in the urban sectors, with the core market tending children and young teenagers. The idea is to ensure young kids as the future brand evangelists, carrying the 'TLD' tradition forward, when they bond with their kids. Fletcher (2004) states that the advertisers have no option but to concurrently cater to needs, demands and fantasies of both the parents and children; hence that is what OPC instituted through its advertising message.

Oreo inspires moments of childlike delight because of its delicious combination of crème and chocolate biscuit and the interactive "TLD" routine that kids love so much. Naturally, the insight that parents love what their kids like doing, they too, would indulge in this childlike behavior to share fun-moments as a family. The "TLD" has become a symbolic benefactor of Oreo, bringing families together. According to the advertising agency of OPC, 'You don't just eat an Oreo, you enjoy it' and that is what the company wanted to communicate with the audience as well.

Objective

The core objective of the ad was to gain a larger market share of the biscuit industry in Pakistan by cementing Oreo's presence in the market since. This is only the second campaign after the product launch in 2013, and the core objective was to increase sales of this globally favorite cookie.

Analyzing the Advert on Various Parameters

The ad's appeal builds on emotions, with a touch of humor that parent usually share with the child. Father-daughter, mother-son, an age old concept-yet Oreo has been able to breathe new life into the simple concept by leveraging the love and unconditional affection of the father- and the spirited, I-know-he-loves-me freedom of the assured daughter. Humor comes in with the witty dialogues of the daughter, who, first admonishes her father for saying "umm", and then refusing to share her cookie with him by coming up with an excuse.

However, the ad's underlying focus on the TLD sequence also sheds light on the functional benefits of Oreo; the chocolate sandwich, the rich, cream filling and Oreo's age-old association with milk makes it all-the-more attractive to parents, who may elect Oreo just for their kid to have a healthy glass of milk, in the process. This useful insight is strongly built into the core essence of Oreo as a brand, and the ad doesn't let the association go missing. It naturally follows that the ad, along with the overall campaign, holds high relevance for the target audience since it is a regular scene from a household with kids. Simplicity also follows through, since fatherly affection and a young girl's playacting is easy to understand and appreciate within the time span.

There is no customary call-to-action at the end of the advert because the whole ad is a call-to-action (further discussed below); we believe that the TLD routine teaches kids how to have Oreo along with a glass of milk. It is highly likely that the target audience will be heavily influenced by the advert, maybe using their "pester" power to coerce their parents to buy them Oreo just to try the routine since the advertisement follows from the father-son campaign in 2013. The ad is not necessarily disruptive. However, there is an element of uniqueness associated with the portrayal of a daughter instead of a son in a campaign in Pakistan. Predominantly, it is a young boy who is shown along with his mother in an ad. Moreover, the emotion of love, and fun mixed together, along with the distinctiveness of the TLD routine itself makes the ad adequately disruptive. The ad brings forth multiple bond associations of a parent-child love, chocolate-cream filling, the TLD routine, the tagline and Oreo's linkage with milk. The scope of the advertisement is immense, as discussed in the following section. The advert formed the basis of an extensive campaign involving other media towards 360 degree advertising.

The Ethos-Pathos-Logos Triangle:

Ethos, Pathos and Logos, for an extended period of time have been linked with figures of speech. Ethos has been referred to as the reflection of what a speaker, writer or communicator intends for the audience. Aristotle deliberated that a compelling ethos encapsulating brilliance, immaculate reverence and benevolent personality is transfused through a communicator or speaker. Pathos and Logos are the 'figures of speech' validating writer/communicators to assemble, outline and link ideas that road-maps a silhouette of a solicitous and rational person whose impressions should be measured acutely. They present the instruments corresponding the brilliance, immaculate reverence and benevolent personality, as aforementioned by Aristotle (Kallendorf, 1985)

Ethos is the appeal of a speaker's character or authority which persuades the audience. It allows the audience to connect with the message via its presenter's aura – trusting and relating to it. In the absence of any real celebrity, the advert does focus on how Oreo is a "princess" choice – a choice that young kids would very well aspire to fulfill. Pathosis an appeal to the audience's emotions. Consequently, drawing the audience to be one with the speakers; and in doing so empathizing with their concerns. Here one feels the cross currents of the prior, ethos, adding profusely to the other. The ad is all about the emotional-connection encircling the father-daughter, the "authority" of the make-believe "princess", a father's hug, and finally, the joyous TLD routine. Collectively, espousing a sense of belonging towards the ad- an awe moment for the audience. Logos is a logical appeal typically marked by facts, figures, and data – an appeal to the human intellect. It could include literary or historic analogies or citing certain authorities. Oreo doesn't use any of that in the advert itself, though it has used its claim of being the "world's number 1 biscuit in the world" in other mediums. (Braet, 1992; Higgins & Walker, 2012; Hebden, King, & Kelly, 2011)

The three cornerstones collude, if not explicitly so, to communicate the context of the message. Having established the foundation of the three Aristotelian principles, we must further scrutinize its significance in relation to the contemporary market. As established before, an argument could be made, particularly in contemporary media discourses with its excessive out-flux, whereby the audience is bombarded with innumerable statistics and cost-benefit analysis, leading to an added tolerance of the consumers to such recurring motifs. This particular ad does not integrate factual details, logos, to differentiate the product, rather, and more importantly so, fuses the prior two to communicate a more effective mix. Moreover, it helps permeate the overall consistency of the ad. The blend of emotional and ethical appeals fuses adequately to convey the inherent persuasive thrust of the ad. Therefore, the omission of an explicit call to reason here is reasonable in itself and very much in sync with the market trends.

Mediums

With a considerable amount of advertisement spending, Oreo's team made sure that the presence of the brand was felt by consumer in the major metropolitans. They used an integrated marketing communication strategy and made the best used of every medium to promote their brand. From billboards to cardboards it seemed as if Oreo was leaving no stone unturned. The billboards focused more on the launch element while the TVC followed the global trend. The billboards were placed at all heavy footfall areas of big cities. They used all large sized billboards using the 'princess' or daughter in the ads with the product display. Also many other billboards only had the product with the famous tag line of twist-lick-dunk and eat. The same was used in print form. The print ads appeared in all the leading newspapers and in children magazines. The radio adverts used the audio version of the princess campaign. However, the team concentrated largely on out-of-home [OOH] and television commercial [TVC].("Oreo bombards Karachi with billboards and TVC"., 2013)

The launch was done with two PR events, a media launch at Avari Towers1, Karachi and was organized by Syntax Communication. This was followed by a mega launch at Carlton Hotel, Karachi with several celebrities. They also carried out several BTL activities at eminent malls like Dolmen mall to attract consumers, increase awareness and generate trial. The mall activations were focused on children with several games and prizes. Highlighting the twist-dunk-eat concept and aesthetically decorated in the brand's colours – blue and white. Oreo also partnered with Transformers which was the biggest launch of 2014 in which they initiated themed packaging. This was a global deal that was also carried out locally. (MediaPoondi, 2014) [Refer to Picture 1 for the Launch Invite].

The brand was extremely active on social media during that campaign. They have an official page with the name of Oreo Pakistan that captures the Facebook audience and engages them in various ways. They carried out several contests and informed the consumers about the ongoing activations. In addition to these, the team went active on Twitter, Instagram and Pinterest. The brand also advertised heavily online using websites which attracted their target audience. The brand operated an official website with several attractions for its users. It entailed the consumers through superior design and easy accessibility for increased interactions.

The overall effectiveness of the campaign clearly translated into the ultimate goal of sales. With a market so cluttered with several brands Oreo was able to gain market share from cut throat competitors and have posted sales of more than a billion rupees. The brand had a high recall amongst its target populations, the tagline penetrated well and the emotional connection translated into the establishment of the brand in the grounds of Pakistani market.

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[1]Avari International Hotels offers the modern business traveler every comfort and convenience at its market leading properties. The Avari portfolio of properties include, the award winning & recently renovated 5-star **Avari Towers** in Karachi; the 5-star **AvariLahore**, which has won six consecutive World Travel Awards for the **"Leading Hotel in Pakistan"**; the historical and legendary **Beach Luxury Hotel**in Karachi (in operation since 1948); the cozy and comfortable **Avari Xpress School Road Residence** and the Avari Xpress 7th Avenue Residence - both in Islamabad. Source: http://www.avari.com/

Findings

According to the research findings, the advertising agency responsible for the TVC may not have had the idea of rhetoric communication in mind and worked principally on its thoughtful consumer insights. However, analyzing the Princess TVC through the lens of rhetoric communication, it could be said that the ad has worked wonders as it accidentally seems to fall into the tri-partite model of persuasive communication. But, it is to be considered that had the agency used this model fully while developing the storyboards, the success would have been manifold. Nonetheless, analysts have provided a positive feedback expecting the new product launch to be a big success. Due to its big production, marketing and distribution investments, Oreo is expected to see an increase in demand and further grow the market for biscuits. Its strong global brand name will be a significant contributing factor to its success (Market research provider, Euromonitor International, 2014).

Limitations and Future Research

Despite the research delving deep into the specifics of Oreo's communications, it has some lags which could definitely be worked upon by making this a base for other researches to build upon, and add value to the understandability of global brand development. The research is limited to understanding the communication models and adaptive measures with respect to a particular brand and its prime communication alone. As such, whether different communications spread over different time periods or other brands have not been discussed. This limits one to conclusively concur whether or not the communication model used is solely responsible for the success of the advertisement. Several other possible factors could be credited for a favorable response to the advertisement, the brand's global standing being one of them. Nonetheless, the research provides a strong premise to function as a foundational resource for other research efforts to be based upon and to further furnish the idea of establishing global brands in emerging markets.

International Arena

The case of OPC internationally is a perfect depiction of how brands make their way into the hearts and minds of consumers. The proprietary tag line, superior quality and taste coupled with brilliant marketing campaigns have made it one of the most consumed cookies in the world. The success story doesn't quite end as yet, the brand has penetrated into about a 100 countries catering to various cultures with the same appeal.

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Exhibit 1: Print Poster Oreo Princess Advert 2014

Source: Agency Circuit DRAFTFCB, Karachi

Exhibit 2: Few of the Oreo's Billboards all over the country

2 a

2 b

Source: Agency Circuit DRAFTFCB, Karachi

Picture 1: Oreo Launch Invite at Avari Towers, Karachi

Source: Agency Circuit DRAFTFCB, Karachi

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